



Interim Results

The Board of Directors (the "Directors") of Sichuan Expressway Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2002 (the "Period") and the comparative figures for the corresponding period in 2001 as follows:

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2002

	Notes	For the six months ended 30 June	
		2002	2001
		Rmb'000	Rmb'000
		(Unaudited)	(Unaudited)
TURNOVER	3	372,508	318,373
Other revenue and gains	4	17,423	16,491
Depreciation and amortisation expenses		(105,670)	(99,367)
Staff costs		(35,151)	(26,068)
Other operating expenses		(94,369)	(53,494)
PROFIT FROM OPERATING ACTIVITIES	5	154,741	155,935
Finance costs	6	(62,656)	(72,118)
Share of profits less losses of associates		124	266
PROFIT BEFORE TAX		92,209	84,083
Tax	7	(18,236)	(19,282)
PROFIT BEFORE MINORITY INTERESTS		73,973	64,801
Minority interests		14,449	21,671
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		88,422	86,472
EARNINGS PER SHARE – basic	8	Rmb0.0346	Rmb0.0338



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2002

	For the six months ended 30 June	
	2002	2001
Notes	Rmb'000 (Unaudited)	Rmb'000 (Unaudited)
SHARE CAPITAL		
Balance, beginning and end of period	<u>2,558,060</u>	<u>2,558,060</u>
RESERVES		
Share premium		
Balance, beginning and end of period	<u>1,413,597</u>	<u>1,413,597</u>
Statutory surplus reserve		
Balance, beginning and end of period	<u>96,530</u>	<u>77,401</u>
Statutory public welfare fund		
Balance, beginning of period	<u>89,969</u>	<u>72,157</u>
General surplus reserve		
Balance, beginning of period	132,346	93,894
Transferred from proposed general surplus reserve	32,987	38,452
Transferred to retained profits	10 (8,530)	—
Balance, end of period	<u>156,803</u>	<u>132,346</u>
Proposed general surplus reserve		
Balance, beginning of period	32,987	38,452
Transferred to general surplus reserve	(32,987)	(38,452)
Balance, end of period	<u>—</u>	<u>—</u>
Retained profits		
Balance, beginning of period	72,457	44,550
Transferred from general surplus reserve	8,530	—
Net profit for the period	88,422	86,472
Balance, end of period	<u>169,409</u>	<u>131,022</u>
Total reserves	<u>1,926,308</u>	<u>1,826,523</u>
PROPOSED DIVIDEND		
Balance, beginning of period	76,742	76,742
Dividend declared and paid	(76,742)	(76,742)
Balance, end of period	<u>—</u>	<u>—</u>
Total equity	<u>4,484,368</u>	<u>4,384,583</u>



Condensed Consolidated Balance Sheet

30 June 2002

	30 June 2002	31 December 2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	
NON-CURRENT ASSETS		
Fixed assets	6,988,292	7,014,212
Operating rights	391,519	404,014
Goodwill:		
Negative goodwill	(2,974)	(3,134)
Interests in associated companies	54,899	55,039
Long term investments	32,225	32,225
	<u>7,463,961</u>	<u>7,502,356</u>
CURRENT ASSETS		
Inventories	2,947	3,483
Other receivables	33,076	33,297
Short term investments	17	31,388
Cash and cash equivalents	394,806	336,916
	<u>430,846</u>	<u>405,084</u>
CURRENT LIABILITIES		
Tax payable	24,434	28,682
Other payables and accruals	254,660	261,532
Interest-bearing bank and other loans	705,871	340,901
Due to the ultimate holding company	574,069	581,155
	<u>1,559,034</u>	<u>1,212,270</u>
NET CURRENT LIABILITIES	(1,128,188)	(807,186)
TOTAL ASSETS LESS CURRENT LIABILITIES	6,335,773	6,695,170
NON-CURRENT LIABILITIES		
Interest-bearing bank and other loans	1,411,349	1,767,976
MINORITY INTERESTS	440,056	454,506
	<u>4,484,368</u>	<u>4,472,688</u>
CAPITAL AND RESERVES		
Issued capital	2,558,060	2,558,060
Reserves	1,926,308	1,837,886
Proposed final dividend	—	76,742
	<u>4,484,368</u>	<u>4,472,688</u>



Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2002

	For the six months ended 30 June	
	2002	2001
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	262,397	406,360
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(51,612)	(90,983)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	210,785	315,377
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(145,625)	(360,183)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	65,160	(44,806)
Cash and cash equivalents at beginning of period	274,469	502,704
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>339,629</u>	<u>457,898</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	286,275	410,950
Time deposits with original maturities of three months or less	53,354	46,948
	<u>339,629</u>	<u>457,898</u>



Note to Condensed Financial Statements

30 June 2002

1. Basis of Presentation and Accounting Policies

The condensed interim consolidated financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting". The accounting policies and basis of preparation used in the preparation of the condensed interim consolidated financial statements are the same as those used in the annual consolidated financial statements for the year ended 31 December 2001, except in relation to SSAP1 (Revised) and SSAP 15 (Revised).

The Group has complied with SSAP 1 (Revised) and SSAP 15 (Revised) for the first time in this interim reporting period. As a result, a condensed consolidated statement of changes in equity is presented and the comparatives of the condensed consolidated cash flow statement for the six months ended 30 June 2001 have been restated to reflect the requirements of the SSAP.

2. Fundamental Accounting Concept

The condensed interim consolidated financial statements have been prepared under the going concern concept notwithstanding the net current liabilities position of Rmb1,128,188,193 as of 30 June 2002 because banking facilities aggregating to Rmb1.2 billion and Rmb1.26 billion granted by the Construction Bank of China and Industrial and Commercial Bank of China, respectively, are available to the Group. As of 30 June 2002, amounts of Rmb300 million and Rmb1,089 million, respectively, were utilised.



Note to Condensed Financial Statements

30 June 2002

3. Segmental Information

During the Period, 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 Period is as follows:

	For the six months ended 30 June 2002		2001	
	Turnover <i>Rmb'000</i> <i>(Unaudited)</i>	Contribution to profit from operating activities <i>Rmb'000</i> <i>(Unaudited)</i>	Turnover <i>Rmb'000</i> <i>(Unaudited)</i>	Contribution to profit from operating activities <i>Rmb'000</i> <i>(Unaudited)</i>
Chengyu Expressway	252,920	115,385	217,511	131,237
Chengya Expressway	77,413	24,418	59,043	6,456
Chengbei Exit Expressway	13,653	6,302	13,183	7,865
Zigong Ring Roads	11,265	3,218	9,501	2,827
Toll Bridge and Roads in Luzhou	17,257	5,418	19,135	7,550
	<u>372,508</u>	<u>154,741</u>	<u>318,373</u>	<u>155,935</u>



Note to Condensed Financial Statements

30 June 2002

4. Other Revenue and Gains

	For the six months ended 30 June	
	2002	2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Rental income	4,159	3,742
Road administration charges	3,297	3,192
Income from short term investments	2,140	1,525
Trading of petroleum products	2,068	—
Interest income	2,016	3,878
Amortisation of negative goodwill	161	—
Gain on disposal of fixed assets	947	—
Exchange gains	—	1,910
Miscellaneous	2,635	2,244
	<u>17,423</u>	<u>16,491</u>



Note to Condensed Financial Statements

30 June 2002

5. Profit From Operating Activities

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2002	2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation	93,175	86,746
Amortisation of operating rights	12,495	12,621
Amortisation of goodwill	108	—
Lease payments under operating leases:		
Land and buildings	341	791
Staff costs:		
Wages and salaries	24,419	22,709
Pension contributions (note)	9,937	2,730
Accommodation benefits	795	629
Loss on disposal of fixed assets	—	1,523
	<u> </u>	<u> </u>

Note:

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 Period, 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 local social security bureau.

During the Period, contributions to the local social security bureau made by the Group under the defined contribution retirement scheme amounted to Rmb3,017,000 (2001: Rmb2,730,000).

The Group provided one-off additional pension contribution to eligible employees. The one-off additional pension contribution amounted to Rmb6,920,000 (2001: nil) has been charged to the profit and loss account for the Period.



Note to Condensed Financial Statements

30 June 2002

6. Finance Costs

	For the six months ended 30 June	
	2002	2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Exchange loss	76	—
Interest on bank loans wholly repayable within five years	50,158	58,170
Interest on other loans	12,422	13,948
	<u>62,656</u>	<u>72,118</u>
Total finance costs	<u>62,656</u>	<u>72,118</u>

7. Tax

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

Pursuant to an approval document "Wai Jing Mao Zi Shen Zi (1998) No. 15" dated 17 March 1998 issued by the Ministry of Foreign Trade and Economic Co-operation, the Company acquired the legal person status of a Sino-foreign joint stock limited company. Upon the application of the Company and pursuant to a certificate issued by the Sichuan Provincial Branch of the State Tax Bureau dated 25 August 1998:

- For the two years from 1 January 1998 to 31 December 1999, the Company is exempted from Enterprise Income Tax ("EIT");
- For the three years from 1 January 2000 to 31 December 2002, the Company will be required to pay EIT at 50% of the applicable EIT rate fixed by the State; and
- Commencing 1 January 2003, the Company will be required to pay EIT at the applicable EIT rate fixed by the State.



Note to Condensed Financial Statements

30 June 2002

Pursuant to a document "Guo Ban Fa [2001] No. 73" dated 29 September 2001 issued by the State Council of the PRC and approved by local tax authorities, the Company's subsidiaries, Zigong Shunan Ring Road Company Limited and Luzhou Shulu Road Company Limited, were granted a tax concession to pay EIT at preferential rate of 15% for a period of 10 years from 1 January 2001 to 31 December 2010.

Other subsidiaries and associates are required to pay EIT at the standard rate of 33%.

Tax charge for the Period is as follows:

	For the six months ended 30 June	
	2002	2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
The Group:		
Tax charged	18,080	19,194
Share of tax attributable to an associate	<u>156</u>	<u>88</u>
Tax charge for the Period	<u><u>18,236</u></u>	<u><u>19,282</u></u>

No provision for deferred taxation has been made because there were no material timing differences at the balance sheet date.

8. Earnings per share

The calculation of earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of Rmb88,422,000 (2001: Rmb86,472,000) and 2,558,060,000 (2001: 2,558,060,000) Domestic and H Shares in issue.

9. Dividend

At a meeting of the board of directors held on 20 August 2002, the directors of the Company resolved not to pay an interim dividend to shareholders (2001: nil).



Note to Condensed Financial Statements

30 June 2002

10. Utilisation of General Surplus Reserve

In 2000, the Company provided additional housing benefits to 25 eligible employees of the Company. The provision of the additional housing benefits was approved by Chengdu Housing Committee. The cost of providing the additional housing benefits amounted to Rmb9,465,000 was charged to the profit and loss account for the year 2000. Pursuant to a directive numbered "Cai Kuai [2001] No. 5" issued by Ministry of Finance of the PRC and a resolution of the 2001 General Meeting of Shareholders of the Company, the aforesaid additional housing benefits in an amount of Rmb8,530,000 was approved to be utilised from the general surplus reserve, and the amount has been transferred from general surplus reserve to retained profits during the Period.

11. Commitments

	30 June 2002	31 December 2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	
Contracted, but not provided for	26,597	22,025
Authorised, but not contracted for	321,346	308,925
	<u>347,943</u>	<u>330,950</u>

Further details of the capital commitments of the Group as of 30 June 2002 are analysed as follows:

	30 June 2002	31 December 2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	
In respect of:		
– Construction work to upgrade the present Chengyu Expressway	20,984	27,481
– Reconstruction of Chengbei Exit Dajian Road	242,000	200,000
– Others	84,959	103,469
	<u>347,943</u>	<u>330,950</u>



Note to Condensed Financial Statements

30 June 2002

12. Related Party Transactions

Material related party transactions for the six months ended 30 June 2002 are summarised as follows:

- (a) In the previous years, the Group obtained State loans amounting to Rmb250 million (2001: Rmb250 million) in aggregate pursuant to loan repayment agreements (the "Loan Repayment Agreements") entered into between Sichuan Highway Development Holding Company ("Sichuan Highway Development"), the ultimate holding company of the Company, and the Company. The State loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development in Sichuan Province. For the purpose of financing the construction of the Chengya Expressway, Sichuan Highway Development had initially obtained the State loans and pursuant to the Loan Repayment Agreements, the State loans were then transferred to the Group.
- (b) As of 30 June 2002, bank loans amounted to Rmb389 million (31 December 2001: Rmb300 million) were guaranteed by Sichuan Highway Development.

These transactions were carried out in accordance with the terms of the agreements governing such transactions.

13. Approval of the Interim Financial Report

The interim financial report was approved by the board of directors on 20 August 2002.