



NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2003

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited condensed interim consolidated accounts should be read in conjunction with the 2002 annual accounts.

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 2002 except in relation to SSAP 12 (Revised).

The Group has adopted SSAP 12 (Revised), which is effective for accounting periods commencing on or after 1 January 2003. SSAP 12 (Revised) prescribes the accounting for current tax and deferred taxation. Since the Group does not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the accounts, the adoption of this SSAP has no material effect on the condensed interim consolidated financial statements.

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 Rmb628,299,000 as of 30 June 2003 because long term banking facilities aggregating to Rmb1.2 billion and Rmb1.27 billion granted by the China Construction Bank and Industrial and Commercial Bank of China, respectively, are available to the Group. As of 30 June 2003, amounts of Rmb300 million and Rmb1,159 million, respectively, were utilised.



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3. SEGMENTAL INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format. The Group's turnover and contribution to profit from operating activities for the six months ended 30 June 2003 (the "Period") were derived in Sichuan Province, the PRC. Accordingly, no segment information by geographical segment is presented. The Group has only one business segment in respect of toll operation (with the sale of petroleum products not being material). The following segment information by business segment is presented as additional information only.

	For the six months ended 30 June			
	2003		2002	
	Turnover <i>Rmb'000</i> <i>(Unaudited)</i>	Contribution to profit/(loss) from operating activities <i>Rmb'000</i> <i>(Unaudited)</i>	Turnover <i>Rmb'000</i> <i>(Unaudited)</i>	Contribution to profit/(loss) from operating activities <i>Rmb'000</i> <i>(Unaudited)</i>
Toll revenue	385,981	165,590	372,508	155,867
Sale of petroleum products	68,227	(1,586)	2,068	(1,126)
	<u>454,208</u>	<u>164,004</u>	<u>374,576</u>	<u>154,741</u>



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4. TURNOVER, OTHER REVENUE AND GAINS

An analysis of turnover, other revenue and gains is as follows:

	For the six months ended 30 June	
	2003	2002
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Turnover		
Toll revenue		
— Chengyu Expressway	267,179	266,231
— Chengya Expressway	79,675	82,183
— Chengbei Exit Expressway	27,818	14,494
— Zigong Ring Roads	11,757	11,958
— Toll Bridge and Roads in Luzhou	20,775	18,307
	<u>407,204</u>	<u>393,173</u>
Sale of petroleum products	68,227	2,068
	<u>475,431</u>	<u>395,241</u>
Less: revenue taxes	(21,223)	(20,665)
	<u>454,208</u>	<u>374,576</u>
Other revenue		
Rental income	5,612	4,159
Road administration charges	3,196	3,297
Interest income	2,331	2,016
Income from short term investments	—	2,140
Miscellaneous	2,223	2,635
	<u>13,362</u>	<u>14,247</u>
Gains		
Negative goodwill recognised	161	161
Gain on disposal of fixed assets	1,158	947
	<u>1,319</u>	<u>1,108</u>
Other revenue and gain	<u>14,681</u>	<u>15,355</u>



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5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2003	2002
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Depreciation	104,315	93,175
Amortisation of operating rights	12,495	12,495
Goodwill arising on acquisition of an associate		
Amortisation for the Period	—	108
Lease payments under operating leases:		
Land and buildings	421	341
Staff costs:		
Wages and salaries	24,106	24,419
Pension contributions	3,351	9,937
Accommodation benefits	1,547	795
Cost of petroleum products sold	66,999	1,881
Bad debt expenses	330	14,114
	<u>330</u>	<u>14,114</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2003	2002
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly		
repayable within five years	48,809	50,158
Interest on other loans	5,740	12,422
Exchange losses	76	76
	<u>54,625</u>	<u>62,656</u>



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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, the Company is exempted from Enterprise Income Tax ("EIT") for the first two years commencing from 1 January 1998, and at 50% of the applicable EIT rate from the third to fifth years.

Pursuant to documents "Cai Shui [2001] No. 202" and "Guo Shui Fa [2002] No. 47" issued by the State Tax Bureau and approval documents "Chuan Guo Shui Han [2002] No. 244" dated 16 October 2002 and "Chuan Guo Shui Zhi Han [2002] No. 30" dated 21 November 2002 issued by Sichuan Provincial Branch of State Tax Bureau:

- For the two years from 1 January 2001 to 31 December 2002, the Company was required to pay EIT at 50% of the preferential rate of 15%; and
- For the eight years from 1 January 2003, the Company is required to pay EIT at the preferential rate of 15%.

Pursuant to a document "Guo Ban Fa [2001] No. 73" dated 29 September 2001 issued by the State Council of the PRC and approval 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 the preferential rate of 15% for a period of 10 years from 1 January 2001 to 31 December 2010.

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



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7. TAX (Continued)

Tax charge for the Period is as follows:

	For the six months ended 30 June	
	2003	2002
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
The Group:		
Tax charged	21,326	18,080
Share of tax attributable to associates	16	156
	<hr/>	<hr/>
Tax charge for the Period	<u>21,342</u>	<u>18,236</u>

No provision for deferred taxation has been made because there was no material temporary difference 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 Rmb99,159,000 (2002: Rmb88,422,000) and 2,558,060,000 (2002: 2,558,060,000) Domestic and H Shares in issue during the Period.

9. DIVIDEND

At a meeting of the board of directors held on 19 August 2003, the directors of the Company resolved not to pay an interim dividend to shareholders (2002: nil).



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10. COMMITMENTS

	30 June 2003 Rmb'000 (Unaudited)	31 December 2002 Rmb'000
Contracted, but not provided for	60,762	5,445
Authorised, but not contracted for	58,609	142,358
	<u>119,371</u>	<u>147,803</u>

Further details of the capital commitments of the Group as of 30 June 2003 are analysed as follows:

	30 June 2003 Rmb'000 (Unaudited)	31 December 2002 Rmb'000
In respect of:		
– Acquisition of the operating rights	75,662	98,644
– Others	43,709	49,159
	<u>119,371</u>	<u>147,803</u>



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11. RELATED PARTY TRANSACTIONS

Material related party transactions for the six months ended 30 June 2003 are summarised as follows:

- (a) In the previous years, the Group obtained State loans amounting to Rmb250 million (2002: 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 of the 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 2003, the Group's bank loans amounting to Rmb593 million (31 December 2002: Rmb483 million) were guaranteed by Sichuan Highway Development.

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

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.

13. APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim financial report was approved by the board of directors on 19 August 2003.