

**Zhou Li Ming***Chairman*

To shareholders,

In 2003, despite the outbreak of SARS and frequent natural disasters, the PRC economy still achieved an outstanding strong growth. The national gross domestic product ("GDP") amounted to Rmb 11,669,400 million, representing a growth of 9.1% over the previous year. For the first time, the GDP per capita climbed up US\$1,000, symbolizing a milestone for a new cycle of the PRC economy and again the cynosure of the world economy. The growth rate of Sichuan economy was more impressive. The GDP of the province achieved a breakthrough over Rmb 500,000 million, a significant height, and increase by 11.8% from last year to Rmb 545,600 million, representing a historical new high in the recent ten years. Such a favourable economic environment laid a solid ground for the Group's success in spite of various difficulties in its operations. For the year ended 31 December 2003, the total turnover of the Group reached Rmb937,398,000, representing an increase of 18.5% as compared with the last year; profit attributable to shareholders was approximately Rmb207,664,000 and earnings per share amounted to Rmb0.0812, both decreased by 1.3% over the last year.

Chairman's Statement *(continued)*

Year 2003 witnessed the Company's progress in a critical epoch. Sichuan Province was advancing its steps in development of the western region. More efforts have been taken to promote the strategy for a leap in development. Transportation saw an obviously faster speed of construction. Yet the new circumstances also gave rise to another important and painstaking task for the Company, i.e., confronted by opportunities and challenges, how to speed up its expansion on the basis of its principal businesses, and together with an improved background, market competitive edge and a better capability against risks, how to manage to rebuild its business and eventually achieve a sustainable development. As such, the Company carried out a comprehensive study for the problems and difficulties arising from the new circumstances in its road, and launched experimental alignments in the areas of development strategy, managerial concept, management practice and operation mechanism, aiming at a greater progress under the new operating philosophy.

- The Company owns noticeable location and industry advantages. To begin with, Sichuan Province, being the business base of the Company and the leader in the grand development of the western region, accounts for one-fourth of the total economic production in the western region of the PRC. Furthermore, the Company is operating in the industry of transportation infrastructure construction, to which key investment projects and priority have been assigned by the State and the province. However, the Company was also well aware of the impending problems from the restriction in operating duration of its core assets, fiercer competition from other transportation facilities, diversion of the traffic flow by the roads parallel to the Company's road networks and the increment in the repairs and maintenance expenses. Such problems would impose a threat to the Company's profitability in the future. In response to the new circumstance of the extraordinary development in transportation construction all over the province, it is necessary for the Company to establish a strong foundation for a sustainable development; meanwhile, by continuously acquiring additional quality investment projects and assets, speed up its pace in development and hone the Company's edge for sustainable development. Otherwise the Company would be under exposure to a risk, namely, "spare the effort and spoil the development" in market competition.
- The Company set out its medium and long term development plan based on an extensive investigation carried out in the external environment and its own competitive advantages. Positioning itself in investment, operation and management on profitable expressways and related businesses within the province, the Company will focus on its principal businesses and tap its competitive strength in the industry. At the same time, the Company will streamline its investment outside the industry, aiming to a prudent development in diversification based on a strict project feasibility study. On development strategy, the Company will adhere to an efficiency-oriented guideline on the basis of a safe and effective utilisation of capital funds, which will also be observed throughout the process of investment decision-making and operation management. With the premises of maintaining a reasonable gearing ratio and steady growth in operating results, the Company will strive to speed up its expansion and achieve a healthy and sustainable development.
- In line with its long term development strategy, the Company put more efforts in enhancing the capability of decision-making and operation management. In 2003, as approved by the extraordinary general meeting, the Company's third Board of Directors was set up, where Mr. He Gang was elected as a new director. The Company also furthered its reform in the systems for human resources, remunerations and recruitment. On the other hand, the Company devote more efforts in establishment of the Company's systems and supervision on its regulations. The Company is committed to driving itself into an expressway along with rational, systematic and scientific management.
- To maintain the image of its core asset Chengyu Expressway and secure its profitability, the Company adopted a medium and long term plan of repairs and maintenance. The Company carried out repairs and maintenance for its key road sections by stages, which brought an obvious improvement in traffic conditions of Chengyu Expressway and assured speediness, safety, comfortableness and smoothness of the road conditions, thereby sharpened the market competitiveness of Chengyu Expressway.

- In strict compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, in addition to a true, accurate, complete and timely disclosure of information under the regulations, the Company also actively disclosed all information on a timely basis which may have material impact on decisions of shareholders and other interested parties in accordance with the principle of trustworthiness to ensure that all shareholders had equal opportunity in access to necessary information. At the same time, the Company placed emphasis on investor relations. By careful response to investors' inquiries through phone calls or fax, warm reception of their visits, and promotions including its website and overseas road shows in due course, the Company took initiatives to communicate with investors to facilitate a clear and thorough recognition of the Company's business environment, operating strategy and development prospect.
- Great attention has been attached by the Company to its corporate culture, which was also taken as a basis for the Company's sound corporate governance and sustainable development in the long run. I sincerely hope that all our staff can keep on leveraging the Company's corporate culture of "Build a career, altruistic, industrious and innovative morale", and lead our business to a new era.

Looking into the future, the PRC will continue to implement an active fiscal policy and prudent monetary policy with more efforts in supporting the grand development of the western region and infrastructure construction, which will in turn inject more fresh energy into the continuing development of transportation construction of Sichuan Province. In addition, the strong momentum of the PRC economy has led to an evolvement of social consumption structure and industry structure and, consequently, a booming domestic market both in production and sales of cars. Furthermore, following the continuous healthy development of the economy in 2004, it is expected that there will be a further increase in the disposable income of residents in cities and towns, which together with the faster growth in the production and sales volume of motor vehicles, implies a right niche and an optimistic outlook for the Company's business development. In the coming financial year, the Company will capitalise on such development opportunities, and by virtue of its insight into external environment, business strategy and solutions, dedicate itself for a better profitability and financing capability so as to advance its investment and financial activities. The Company will spare no efforts in strengthening its principal businesses centred around transportation infrastructure, and shrewdly employing its development strategy for a sustainable growth, thereby polishing the Group's competitive edge in the market. The Company believes it is able to provide the best investment returns for shareholders, meanwhile make a contribution to the transportation construction and economic development of Sichuan Province.

Finally, on behalf of the Board of Directors, I would like to express my gratitude to our staff for their diligent work during the year and to all walks of life for their kind support.



Zhou Li Ming
Chairman

Chengdu, Sichuan, the PRC
1st April 2004