

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

## 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 are set out in note 17 to the financial statements. There were no significant changes in the nature of Group's principal activities during the year.

Particulars of the expressways managed and operated by the Group as of 31 December 2003 are as follows:

	<b>Origin/ destination</b>	<b>Approximate length</b>	<b>Date of the entire toll expressway commenced operations</b>
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

## Results and dividends

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 69.

The directors recommend the payment of a final dividend of Rmb0.032 per share in respect of the year, to shareholders on the register of members on 3 June 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

## Summary financial information

The following is a summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as prepared on the basis set out in the note below:

Results	2003 Rmb'000	Year ended 31 December			
		2002 Rmb'000	2001 Rmb'000	2000 Rmb'000	1999 Rmb'000
Turnover	<b>937,398</b>	791,142	664,607	594,165	440,215
Other revenue and gains	<b>101,492</b>	32,589	35,278	44,412	23,270
Depreciation and amortisation expenses	<b>(229,488)</b>	(217,697)	(204,558)	(185,045)	(108,899)
Staff costs	<b>(74,029)</b>	(68,874)	(56,778)	(60,926)	(35,042)
Cost of petroleum products sold	<b>(137,489)</b>	(21,429)	—	—	—
Other operating expenses	<b>(253,577)</b>	(203,109)	(136,743)	(81,833)	(69,961)
Profit from operating activities	<b>344,307</b>	312,622	301,806	310,773	249,583
Finance costs	<b>(102,405)</b>	(120,944)	(134,375)	(152,306)	(72,606)
Share of profits and losses of associates	<b>2,346</b>	2,200	1,063	309	117
Profit before tax	<b>244,248</b>	193,878	168,494	158,776	177,094
Tax	<b>(61,327)</b>	(13,168)	(32,707)	(39,460)	(14,874)
Profit before minority interests	<b>182,921</b>	180,710	135,787	119,316	162,220
Minority interests	<b>24,743</b>	29,595	38,789	47,136	7,229
Net profit from ordinary activities attributable to shareholders	<b>207,664</b>	210,305	174,576	166,452	169,449
<b>Assets, liabilities and minority interests</b>					
Total assets	<b>7,885,895</b>	8,053,518	7,907,440	8,125,918	7,654,455
Total liabilities	<b>2,889,599</b>	3,019,618	2,980,246	3,264,502	2,839,869
Minority interests	<b>259,123</b>	427,649	454,506	486,562	528,656
Net assets	<b>4,737,173</b>	4,606,251	4,472,688	4,374,854	4,285,930

Note:

The consolidated results of the Group for the four years ended 31 December 2002 have been extracted from the Company's 2002 annual report dated 20 March 2003, while those of the year ended 31 December 2003 were prepared based on the consolidated profit and loss account as set out on page 32 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

There were no movements in either the Company's authorised or issued capital during the year.

## 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 28 to the financial statements.

## Distributable reserves

At 31 December 2003, the Company's reserves available for distribution, calculated in accordance with the provision of the PRC legislation, amounted to Rmb358,232,000 of which Rmb81,858,000 has been proposed as a final dividend for the year. In addition, in accordance with the Company Law of the PRC, 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 operating 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:

Mr. Zhou Liming	
Mr. Zhang Zhiying	(appointed on 17 February 2003)
Mr. Zhang Wengsheng	
Mr. Yang Xiaokun	
Mr. He Gang	(appointed on 27 November 2003)
Mr. Liu Mingli	
Mr. Zhang Yongnian	
Ms. Zhang Yang	
Mr. Yang Kunping	(resigned on 17 February 2003)

### Independent non-executive directors:

Ms. Zang Dihua  
Mr. Yan Zhonghe

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

## Directors' and senior management's 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 contract 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 of compensation, other than statutory compensation.

## Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow 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 the Company or any other body corporate.

## Directors' interests in shares

At 31 December 2003, none of the directors had registered an interest in the shares of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## Substantial shareholders' and other persons' interests in shares

At 31 December 2003, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Number of shares	Percentage of the Company's issued share capital
Sichuan Highway Development	1,005,290,000	39.30%
HKSCC Nominees Limited	884,249,999	34.57%
Huajian Communication and Economic Development Centre	657,450,000	25.70%

Save as disclosed above, no person had registered an interest in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Deposits

The Group had no designated deposits and overdue time deposits placed with any financial institution which could not be recovered in the year.

## Retirement scheme

As stipulated by State regulations of the PRC, the Group participates in a defined contribution retirement scheme. All retired 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 employees' average salaries and wages of the current year, limited to a ceiling amount of three times the employees' average basic salaries of the current year within the geographical area where the employees are employed. The Group has no obligation for the payment of pension benefits beyond the annual contributions. During the year, contributions to the local social security bureau made by the Group under the defined contribution retirement scheme amounted to Rmb7,779,025 (2002: Rmb6,138,153).

## Accommodation benefits for employees

According to relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries and wages of the last year, limited to a ceiling amount of three times the employees' average basic salaries within the geographical area where the employees are employed, 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 Rmb3,555,663 (2002: Rmb2,260,129).

## Connected transactions

The Group had connected transactions during the year, as more fully described in note 34 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 which aims at reviewing and supervising the Company's financial reporting process and internal controls, the Company 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 those of an audit committee, and 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 members of the audit committee are appointed amongst the non— executive directors of a company.

## Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

## 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



**Zhou Li Ming**  
Chairman

Chengdu, Sichuan, the PRC  
1 April 2004