

Chairman's Statement



Zhou Liming
Chairman

Dear Shareholders,

Leveraging the favourable macro economy in 2004, the Group proactively promoted its activities based on its principal business with a view of economic profit, thereby achieving a steady growth in its overall operating results. The Group's turnover amounted to approximately Rmb884,768,000, a slight decrease of 5.61% from last year due to the disposal of assets. Net profit attributable to shareholders and earnings per share, nevertheless, amounted to Rmb215,598,000 and Rmb0.0843 respectively, representing an increase of 3.82% over the last year.

Along with its efforts in achieving asset appreciation, the Company took maximization of shareholder interests as its unremitting target. The Board of Directors recommended a final dividend of Rmb0.04 per share for 2004 (2003: Rmb0.032) to all shareholders. The Company is confident in healthy operations and steady dividend payment in the future.

The booming provincial road transportation centred on Chengdu city, as driven by Sichuan Province's fast-growing economy in 2004, has become the source of growth in the Group's toll road business. During the year, apart from the temporarily downscaled toll income of Chengbei Company due to the impact on traffic flow from the newly completed expansion of road which runs parallel to Chengdu Chengbei Exit Expressway, both Chengyu Expressway and Chengya Expressway under the Group's investment and operation recorded a noticeable increase in toll income, with a growth rate of 18.38% and 23.79% respectively.

The Company strengthened and improved operation and management of its existing assets and achieved a desirable performance. Furthermore, to increase its market share and give shape to new profit sources, the Company put more efforts in feasibility study and capital operation of potential investment projects, striving to capitalize on its market creditability to finance its fast expansion with steady paces towards sustainable development.

In line with its long-term development strategy, the Company endeavoured to upgrade the corporate governance and improve organizational system and regulatory system. In compliance with the newly revised Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”), the Company appointed two additional independent non-executive directors in 2004, and established an Audit Committee, a special committee under the board of directors to further enhance and perfect the Company’s corporate governance. Meanwhile, the Company continuously enhanced the internal management under the well established systems and regulations, and strengthened supervision on the implementation of regulations. In accordance with its internal control rules, the Company set up Audit Department in tandem with Surveillance Department to strengthen internal surveillance and audit, and accredited financial controllers to subsidiaries to instruct and oversee their financial activities. Moreover, the Company promoted in-depth reforms in personnel, remuneration and staffing systems, aiming to drive itself into the expressway of rational, systematic and scientific management.

Under its stringent financial management, the Company maintains a sound financial position. In strict compliance with the Hong Kong GAAP and the PRC accounting regulations and standards and based on the implementation of regulatory financial management and strict internal control, the Company pressed ahead the management on capital and financial budget as a part of logical financial management. At the same time, the Company improved internal audit and financial supervision on its subsidiaries. Thanks to its proven financial position, stable and sufficient cash flow, strict and well-knit financial management system, the Company was granted AA creditability certification by a credit appraiser recognized by the People’s Bank of China, and was listed as one of “Creditworthy Enterprises in Cooperation with Banks of Sichuan Province” by Sichuan Banking Association.

With its forthcoming 10th anniversary of operation, Chengyu Expressway, the Company’s core asset, embraced a historical new high of toll income at a growth rate of 18.38%. In the meantime, the maintenance project of Chengyu Expressway also came to a critical period. Aiming at the synergy of maintenance and construction, the Company invested Rmb156,000,000 and Rmb77,000,000 respectively in maintenance and renovation of Chengyu Expressway in 2004. As a result, the noticeable improvement in road conditions ensured the rapid, safe, comfortable and smooth service of Chengyu Expressway, sharpening its market competitive edge.

Under the planning of Sichuan Provincial Department of Communications, an online toll collection system for the provincial expressways encircling Chengdu city will commence operation by 30 June 2005. The Group’s expressways have taken the lead to join in the provincial online toll collection system before March 2005. The operation of the provincial expressway online toll collection system, a leap in management and service performance for Sichuan Province’s expressways, publicized the expressway’s advantages of convenient and fast service. Furthermore, as a step to construct its digital transportation framework, Sichuan Province is striving to implement its non-stop toll collection scheme for the online toll collection system by 2010.

Chairman's Statement (*Continued*)

Looking into the future, the PRC economy running at a high level is expected to pose more eager demand for transportation. In order to satisfy the demand of the further balanced development of Sichuan Province's economy and society, Sichuan Province planned to invest Rmb16 billion in transportation infrastructure construction in 2005. Such favourable environment for the development of macro economy and transportation industry of Sichuan Province will provide the Company with strategic opportunities for its continuous fast growth. On the other hand, the Company is also well aware of the challenges in the emerging expressway network of Sichuan Province, including the approaching competitions from parallel roads, the diminish reserve of quality road assets with high investment value and competitions from other qualified investors. To address such opportunities and challenges, the Company, as the only listed expressway company in Sichuan Province's transportation industry, will follow its strategy of engaging in investment, operation and management of expressways. Focusing on a faster growth in the new run of transportation infrastructure construction, the Company will shrewdly employ its core competitive edge and the right of first refusal in developing the provincial expressways and class I and II roads, taking initiatives to explore business in light of its development strategy. The Company is committed to achieve its sustainable development and the best investment return to shareholders, as well as to contribute more to the transportation infrastructure 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 and to all walks of life for their kind support during the year.

Zhou Liming
Chairman

Chengdu, Sichuan, the PRC
31 March 2005

