

# CHAIRMAN'S STATEMENT



Tang Yong  
Chairman

Dear Shareholders,

In 2006, the Group, based on the established development strategies, has fully capitalised on its own advantages of the development opportunities brought by the favourable macro economy. The Group also put more efforts on investment, moderate integration of resources, stable operation and faster development upon a reasonable level of debt and stable growth in operating results. As compared with 2005, the Group continued to achieve a great advancement in operation and investment and smoothly completed each scheduled goal.

## Results and Dividends

I would like to report to the shareholders that the Group demonstrated a satisfactory overall result in 2006, and the Group's revenue amounted to RMB1,016,321,000, representing an increase of 6.63% over the corresponding period last year. Profit attributable to the shareholders of the Company amounted to RMB292,900,000, an 18.07% increase over the corresponding period last year. Earnings per share was RMB0.115 (2005: RMB0.097).

The Board of Directors (the "Board") recommended a final dividend of RMB0.04 per share for 2006 to all shareholders. The Company is confident in healthy operations and steady dividend distribution in the future.

# CHAIRMAN'S STATEMENT *(Continued)*

## Business Review

In 2006, the Group continued to strengthen and enhance the operation and management of its existing assets and strived to improve its operating profit. On the other hand, the Group continued to seek new investment opportunities and enlarge assets scale in order to secure its sustainable and healthy development.

Sichuan Province's fast-growing economy and the immense demand for transportation incurred have become the source of growth in the Group's toll road business. During 2006, the Group's toll income demonstrated an upward trend since 2005 with an average growth of 5.67% over the corresponding period last year, laying a solid foundation for the growth of the Group's profit.

In 2006, the repair and maintenance projects for Chengyu Expressway have progressed comprehensively and rapidly. At the end of November, with the completion of the repair and maintenance project for the entrance and exit section of Longquanshan Tunnel, the transportation bottleneck of the section was released and its traffic capacity was greatly enhanced. At the beginning of February 2007, the road had a brand new look upon the completion of the repair and maintenance project for the cement road surface of Chenglong (Chengdu-Longquan) section. The Company believes that, aiming at the synergy of construction and maintenance, the repair and maintenance projects were implemented and completed smoothly, which ensured the rapid, safe, comfortable and smooth service of the Group's core assets Chengyu Expressway and sharpened its market competitive edge.

In accordance with the deployment of Sichuan Provincial Department of Communications, all expressways in Sichuan will implement cargo vehicle loading-based toll collection in 2007. All expressways of the Group completed the equipment installation for the loading-based toll collection project in succession by the end of 2006 and made various preparations for the trial operation of the loading-based toll collection system.

During the year, there was a significant progress in respect of the Group's investment and financing works. In August 2006, the Company acquired the remaining equity interests in Sichuan Chengya Expressway Company Limited ("Chengya Company") from minority shareholders, and the Company has re-registered it as Sichuan Expressway Company Limited Chengya Branch ("Chengya Branch"). Through merger and reorganisation, the Group considerably cut down its finance costs, total taxation and management costs and efficiently improved its overall profitability. In November 2006, the Company successfully issued short-term commercial papers with a total amount of RMB1,500 million to exchange the long-term bank loans of Chengya Company, which may save finance costs of RMB30 million for the Group in one year based on the bank loan interest rate for the same period.

## Prospect and Outlook

The local quality transportation demand is driven by the sustainable, fast and healthy economic development, continual penetration of urbanization, and private car ownership of Chengdu City, where the Company's principal businesses take place, ranking the third highest of the PRC. In order to satisfy the demand of the further balanced development of Sichuan Province's economy and society, Sichuan Province will expedite the expressway construction, giving rise to another peak of the construction. The total traffic mileage of the Sichuan Province's expressways is expected to reach 3,160 km by 2010, increasing by 1,372 km as compared with 2006 and with the full completion of provincial expressway backbone. This provides necessary conditions for the Group's sustainable and fast development. On the other hand, the Group also faces challenges, including competitions for market share from different modes of transportation like railway and aviation, influence of risk factors like change in industrial policies and adjustment to road networks planning, as well as intensified competition from increasing market participants attracted by increasing open up and higher effectiveness of transportation industry. The Group will have rapid capital expansion and a foundation laid for the corporate sustainable development in the coming several years, with focus on the investment, operation and management of toll roads and a faster growth of transportation infrastructure construction. Through fully utilization of its core competitive edge and the right of first refusal in developing the provincial expressways and class I and II roads, the Company is committed to seizing opportunities, guarding against risks and operating steadily with satisfactory returns to all shareholders.

# CHAIRMAN'S STATEMENT *(Continued)*

## Gratitude

The Company currently has been established and listed overseas for nearly 10 years. With numerous spans and breakthroughs, the Company has taken a leap from a construction and management company to an investment, operation and management company. The Company has developed from Chengyu Expressway single asset company into a wholly-owning, holding, and jointly controlling multi-toll-road large scale corporation with assets scale increased to RMB7,476 million from RMB3,421 million at the beginning of establishment. The assets scale and revenue rank the first high among the provincial expressways. At the smooth re-election of the Board and Supervisory Committee ("Supervisory Committee"), I would like to take this opportunity to express the sincerest respect on behalf of the new Board to the diligent and hard-working former Board and Supervisory Committee, particularly the former Chairman Mr. Zhou Liming who led all colleagues to advance the Company's stable and effective forward development. During the term of office of Mr. Zhou Liming, the Group's operating results improved stably. Also, a substantial progress was made in investment and financing work along with the further increased assets scale and optimized financial structure. Along with the completion of major and intermediate maintenance projects of the Group's core assets Chengyu Expressway, the traffic capacity and market image was greatly improved. The Company continued to improve its corporate governance towards a higher level, which secured the corporate long-term healthy development. In addition, Mr. Zhou Liming actively advocated corporate culture, namely, "build a career, altruistic, industrious and innovative morale", aiming to an improvement in quality of the staff as a whole and a better corporate cohesion for its development in the future. The new Board will lead all staff of the Company to further explore aggressively, realising the Company's new strategical goals.

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

**Tang Yong**  
*Chairman*

Chengdu, Sichuan, the PRC  
29 March 2007