



To Shareholders,

In 2002, the PRC economy had an outstanding performance of growth by 8% and became a focus in the world. The rate of economic growth in Sichuan was particularly astonishing.

The gross domestic output of the province amounted to Rmb487,510 million, representing an increase of 10.6% as compared with last year. The rate of growth was higher than the national average by 2.6%. In terms of total economic output, Sichuan Province is the tenth within the whole country and the first in the western part of the PRC. The sound economic development trend established a favourable environment for the Group's operation and development. The Group seized the opportunities, implemented the cautious growth strategy and put great efforts in strengthening and improving the operation and management of core businesses so that the Group achieved good operating results. During the year ended 31 December 2002, turnover of the Group amounted to approximately Rmb791,142,000, representing an increase of 19.04% as compared with the last year; net profit attributable to shareholders was approximately Rmb210,305,000 and earnings per share amounted to Rmb0.0822, both grew by 20.47% over the last year. I was therefore very delighted in view of these achievements.

During the past five years of growth and development, the Company completed the first stage of development after the construction of Chengyu Expressway, that is, holding controlling or equity interests by way of direct investments in Chengbei Company, Chengya Company and Airport Expressway Company; and holding controlling interests in certain toll road companies in Zigong and Luzhou by way of investing in subsidiaries. As a result, the Company achieved the changes from construction management to investment and operation management and formulated on a preliminary basis a model of operation and management so that the Company obtained adequate management experience and established a good foundation for the Company's continuous growth in operating results.

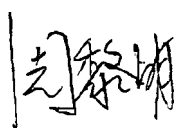
From this year, the Company will enter into the next stage of development, that is, seize the opportunities arising from the grand development of the western region and transportation network in Sichuan, make progress in line with the current environment, continue to explore innovative practices, focus on the operation of core businesses and strive to speed up the expansion on the basis of enhancing and strengthening the operation and management of the existing assets and ensuring continuous stable growth so that the Company can become larger and stronger. Accordingly, taking into account the five years development plan formulated by the Sichuan Provincial Department of Communications ("SPDC") and the actual environment faced by the Company, the Company has established newly revised arrangements for the Company's development strategy and direction as well as various works. The Company will strive to achieve new development by way of new concepts.

- The Company focuses its development direction on infrastructure construction in the western region, in particular, the investment, operation and management in expressways within the province and their related businesses, avoiding the diversification with no clear direction and controlling the investment risk. In respect of the development strategy, the Company insists on maintaining a reasonable level of liabilities and stable growth in operating results, expediting the pace of expansion along the road of cautious and continuous growth.
- In line with the Company's long term strategic development, the Company puts more efforts in enhancing the capability of decision-making and operation management. In 2002, the Company carried out changes in senior management. Mr Zhang Zhiying and I took up the works of the Company's chairman and general manager respectively. After the formulation of senior executive team, the Company carried out a review and revised arrangement for the Company's present management practices, maintenance system and human resources structure in line with the need of the Company's future development. At the same time, the Company refined the rules of procedures for various meetings and strived to enhance the capability of management and decision-making so that the Company could operate along the road of standardised management and scientific management.
- The Company strictly complies with the accounting principles generally accepted in Hong Kong and the accounting system for business enterprises and accounting principles in the PRC and exercises effective supervision and control over all the financial activities through further refining and improving its financial management system, tightening the financial budget system and unifying the financial accounting policies. At the same time, the Company enhances its economic efficiency through strengthening its control and management in internal costs. In view of the Company's good financial position and adequate cash balances, the Company obtains good standing for repayment and fund-raising ability in the capital market and is classified by credit-rating agencies recognized by People's Bank as a company with AA grade in financial standing.
- The Company places emphasis on the establishment of corporate culture and includes this as a part of the Company's works in the long term. By promoting the concept of learning organisation, the Company formulates a good climate of learning, encourages the staff to continuously update their knowledge and enhance their capability in line with the need of the Company's continuous development. By promoting the spirit of respecting their own occupation and works, the Company strengthens the staff's sense of responsibility and self-discipline, changes the control by system to self-awareness and establishes the Company's brand and image of modern culture. By promoting the spirit of team work, the Company strengthens the consensus within the Company to work together for its future development. At the same time, we would like to attract, cultivate and retain various talents for the Company's future development by way of creating a good and smooth human culture.

In the future, the PRC economy will maintain a stable growth. As a result of the grand development of the western region, the prospect and potential of economic development in Sichuan Province will be very encouraging. The rapid economic development, the adjustment on tariff after the PRC's entry into the World Trade Organisation ("WTO") and the fiscal policy of the central government to boost domestic demand are leading or will lead to the significant increase in number of vehicles owned by the citizens. This will create favourable conditions for the stable growth of the Company's businesses in toll roads and represents a good business development prospect for the Company.

At the same time, Sichuan Province is being at the new stage of transportation construction by way of expressway networks. The construction of expressways in Sichuan Province commenced in 1990 when the construction of Chengyu Expressway started. After ten years' efforts, there were expressways of 1,000 km in 2000 and 1,500 km in 2002, representing the first in the western region and the sixth in the whole country. The SPDC plans to construct additional expressways of over 500 km in the coming five years and has set the grand construction target that the total length of expressways being in use by vehicles will be 4,000 km by 2020. We shall properly seize this great opportunity for the Company's development and growth, fully utilise the Company's competitive advantages of having the first priority to develop expressways and Class I and Class II roads within Sichuan Province during the new fiscal year; speed up the fund-raising in the capital market for the investment projects; expedite the continuing growth of the Company's businesses; implement successfully the strategy of continuous growth; maintain and enhance the Group's competitiveness in the market; generate the best investment return for shareholders; and contribute our efforts in the transportation construction and economic development in Sichuan Province.

Finally, I, on behalf of the Board of Directors, would like to express my gratitude to the staff for their hard work during the year and to the people in and outside the PRC for their tremendous support.



**Zhou Li Ming**

*Chairman*  
Chengdu, Sichuan, the PRC  
20 March 2003