





1. Buiness Environment

In 2002, the PRC economy continued to maintain a stable growth with 8% increase in gross domestic products ("GDP"). As a province with the largest total economic output in the western region and in view of the grand development for the western region, Sichuan Province strived to implement the catching-up and galloping strategy of development and achieved the rate of economic growth about 2.6% higher than that of the national average GDP.

The good macroeconomic environment created favourable conditions for the transportation construction. In 2002, 350 km of expressways were constructed in Sichuan Province, representing the longest mileage of expressways constructed in a year within the province as compared in previous years. The total mileage of expressways reached 1,500 km, representing the first within the western region and the sixth within the whole country so that the main skeleton of expressway networks with Chengdu as the centre to 15 provincial cities was basically established.

The gradual extension of expressway networks further promoted the growth in passengers and cargoes transportation along the expressways. The expressways with its advantages of convenient, fast, comfortable and safe services became the people's first priority in the transportation modes.

At the same time, the number of vehicles owned by the citizens increased significantly as a result of the PRC's entry into WTO, the rapid economic development and adjustment in tariff. In 2002, the number of vehicles sold in the PRC increased by 35% as compared with the last year. This trend of growth will continue and expand. This will assure the increase in the transportation volume and toll income of the toll roads and bridge under the Company's operation. Such phenomenon demonstrates the competitive advantages and development potential of the projects operated by the Company.

2. The Conditions of Assets

The major assets of the Company include Sichuan Chengyu Expressway ("Chengyu Expressway"), Sichuan Chengya Expressway ("Chengya Expressway"), Chengdu Chengbei Exit Expressway ("Chengbei Exit Expressway"), Chengdu Airport Expressway ("Airport Expressway") as well as three Class II roads including Zigong Ring Roads, Lulong Road, Luhe Road and one toll bridge, namely Tuojiang Er Bridge which are located in Sichuan Province, a large province in the western region of the PRC. Such networks are the important routes of transportation in Sichuan Province and represent a key and special status among the transportation networks within Sichuan Province. The toll income of the core asset Chengyu Expressway in 2002 accounted for approximately 40% of the total toll income of expressways in Sichuan Province. Its stable growth in transportation volume has led to stable growth of the Company's profitability.

The basic information of the Company's toll roads and bridge is as follows:

Toll roads	Category	Mileage (km)	Date of commencement of operation	End of operation period	Number of toll stations	Interests held by the Company
Chengyu Expressway	Expressway	226	July 1995	August 2027	15/closed	100%
Chengya Expressway	Expressway	144	December 1999	October 2027	15/closed	58.975%
Chengbei Exit Expressway	Expressway	10.42	December 1998	June 2024	1/closed	60%
Airport Expressway	Expressway	11.92	July 1999	December 2024	1/dual	25%
Zigong Ring Roads	Class II road	76.1	December 1998	December 2018	4/single	59.94%
Lulong Road	Class II road	50	September 1999	September 2017	2/single	59.94%
Luhe Road	Class II road	23	September 1999	September 2017	3/single	59.94%
Tuojiang Er Bridge	Toll bridge	4.5	September 1999	September 2017	1/dual	59.94%

For the year ended 31 December 2002, the Group's total assets and net assets amounted to approximately Rmb8,053,518,000 and approximately Rmb4,606,251,000 respectively. The mileage of toll roads and bridge operated, managed and invested by the Group reached above 545 km.

3. Business Review and Analysis

1. Business summary

Based on the foundation of the Company's core businesses and focused on economic effectiveness, the Company actively carried out various projects in 2002 and achieved more satisfactory results. For the year 2002, the Group recorded a total turnover of approximately Rmb791,142,000, representing a 19.04% increase over the last year. Net profit attributable to shareholders was approximately Rmb210,305,000 and earnings per share amounted to approximately Rmb0.0822, both grew by 20.47% over the last year.

The composition and proportion of income from principal activities were as follows:

Items	For the year ended 31 December 2002 (Rmb'000)	Percentage to total turnover	Increase/ (decrease) over 2001
Toll income of Chengyu Expressway	546,665	65.66%	16.92%
Toll income of Chengya Expressway	166,381	19.99%	20.08%
Toll income of Chengbei Exit Expressway	31,471	3.78%	(0.34%)
Toll income of Class II roads and bridge in Zigong and Luzhou	64,647	7.77%	1.86%
Sales of petroleum products	23,353	2.80%	N/A
Total	832,517	100%	18.73%

The growth in net profit was mainly attributable to the following factors: (1) the toll income generated from Chengyu Expressway, the core asset of the Company, rose by 16.92% over the last year and the toll income of Chengya Expressway, a major investment project of the Company, increased by 20.08% over the last year; (2) the applicable Enterprise Income Tax rate of the Company was reduced to 15% for the years from 2001 to 2010 from 24% as approved by the Sichuan Provincial Branch of the State Tax Bureau in November 2002. In addition, the Company was granted a tax concession to pay Enterprise Income Tax at 50% of the applicable rate for the three years from 2000 to 2002. The actual tax rate of the Company therefore decreased to 7.5% for 2001 and 2002. Furthermore, the overpaid Enterprise Income Tax of 2001 amounting to approximately Rmb10,813,000 was approved to be used to set off against the Enterprise Income Tax for 2002; and (3) the efforts on tightening internal cost control and management, rationalization of debts and arrangement for repayment of loans on a timely basis resulted in a decrease in finance costs by approximately Rmb13,431,000 from the last year.

3. Business Review and Analysis

2. Principal activities - Operation of Toll Roads and Bridge

The operations of the Group's toll roads and bridge during 2002 were as follows:

Toll roads	Average daily traffic flow (No.)	Year-on-year Growth/decline (+/- %) (using the same statistic method of last year)	Toll income (Rmb'000)	Year-on-year growth/decline (+/-%)	Net profit/loss (Rmb'000)	Comment on performance
Chengyu Expressway	9,905	+11.19%	546,665	+16.92%	249,134	Significant growth in toll income
Chengya Expressway	7,525	+15.54%	166,381	+20.08%	(70,507)	Significant growth in toll income
Chengbei Exit Expressway	14,149	-19.72%	31,471	- 0.34%	1,094	Slight decrease in toll income
Zigong Ring Roads						
Lulong Road						
Luhe Road						
Tuojiang Er Bridge	N/A	N/A	64,647	+1.86%	15,794	Growth in toll income

Chengyu Expressway

The 226 km Chengyu Expressway, the core asset wholly owned by the Company, is a dual two-lane highway in the middle of Sichuan Province. The expressway, commenced its construction in July 1990, was completed and open to traffic in July 1995. It is the first expressway in Sichuan Province.

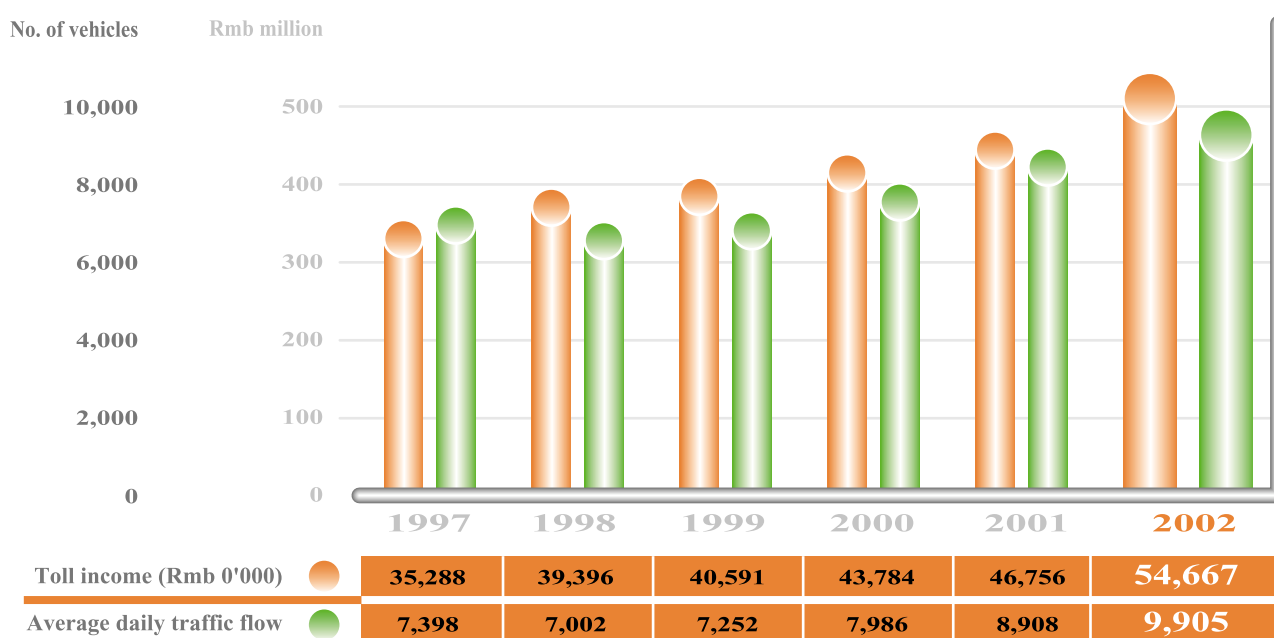
As a major traffic artery in Sichuan Province, Chengyu Expressway with the operation of eight years achieved a two-digit growth in traffic flow and toll income in 2002 and continued to play an important role in promoting regional economic development and increasing the Company's earnings level steadily. For the year ended 31 December 2002, the average daily traffic flow of Chengyu Expressway was approximately 9,905, representing an increase of approximately 11.19% over the last year; toll income was approximately Rmb546,665,000, about 16.92% increase over the last year; net profit was approximately Rmb249,134,000, about 14.58% increase over the last year. Such achievement was the best record of the Company in the past five years in terms of traffic flow and toll income.

3. Business Review and Analysis *(cont'd)*

2. Principal activities - Operation of Toll Roads and Bridge *(cont'd)*

Chengyu Expressway *(cont'd)*

Bar Chart showing Toll Income and Traffic Flow of Chengyu Expressway from 1997 to 2002



3. Business Review and Analysis (cont'd)

2. Principal activities - Operation of Toll Roads and Bridge (cont'd) Chengyu Expressway (cont'd)

Increase in operating results of Chengyu Expressway was mainly attributable to the following factors:

- The conditions of macroeconomic operation were good. The GDP of Sichuan Province amounted to Rmb487,510 million, representing an increase of 10.6% as compared with the last year. The disposable income of city and town citizens increased by 11.1% over the last year. The sound economic environment ensured the continuous increase in traffic flow of Chengyu Expressway.
- The routes from the southwestern region to the coast and Chengdu Raocheng Expressway commenced operation consecutively so that Chengyu Expressway extended further in respect of its service coverage and the number of vehicles among provinces increased. In addition, the volume of cargo transportation between different regions especially provinces increased in line with the progress in the unification of market economy.
- As a result of the entry into WTO and the obvious reduction in tariff, the price of private cars in domestic market significantly decreased. Private cars quickly became one of the common items used by families. Chengdu was ranked as the third city in the whole country in terms of private car ownership. This had an obvious and active impact on the increase in traffic flow.
- The economic effect of "Golden Weeks" effectively led to the increase in toll income of Chengyu Expressway. During the three golden weeks of the Spring Festival, the Labour Day and the National Day in 2002, the toll income of Chengyu Expressway increased by 22.52%, 16.36% and 23.09% respectively.

The Q1 Electrical and Mechanical Contract Project (automation of toll collection, telecommunication and traffic surveillance systems) implemented by the Company in accordance with the international competitive bidding (ICB) procedures provided the necessary technical support for handling the increasing traffic flow and enhancing the level of operation management. Substantial progress in the construction works was achieved during the year. The telecommunication and traffic surveillance systems commenced full operation in September 2002. Parallel test run on IC card toll collection system was carried out. The system passed the test by specialists in December 2002 and was formally put into use in March 2003. In accordance with the contract terms, the Company will continue to refine the technical functions of the system during the test run stage so that the system can comply with all performance indicators as set out in such contract and fulfil all requirements for the project inspection.

Chengya Expressway

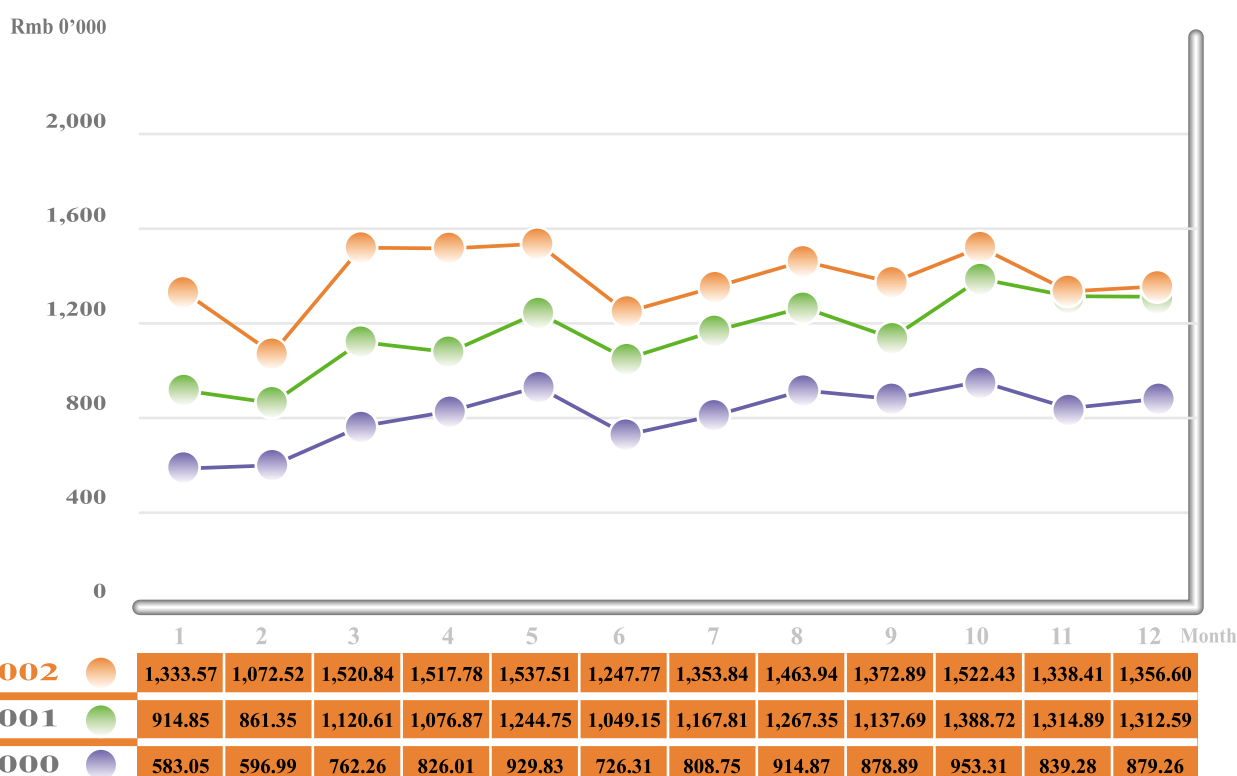
Chengya Expressway, 144 km long, starts from Chengdu and ends at Duiyan, Ya'an City. It is a closed dual two-lane and partly dual three-lane expressway. The main section (129 km) of Chengya Expressway was opened to traffic and put into trial operation on 28 December 1999. Chengya Expressway was fully completed and put into operation on 28 December 2000. The Company has 58.975% equity interests in Chengya Company.

The traffic flow and toll income of Chengya Expressway has demonstrated an upward trend in each year since the commencement of its operation. The average daily traffic flow for the year 2002 reached approximately 7,525. Toll income of approximately Rmb166,381,000 was recorded, representing an increase of 20.08% over the last year. However, since the gearing ratio was relatively high which led to heavy finance costs, a loss of Rmb70,507,000 for the year was incurred, which nevertheless represented a significant improvement of approximately 27.93% to about Rmb 27,318,000 when compared with the previous year.

3. Business Review and Analysis (cont'd)

2. Principal activities - Operation of Toll Roads and Bridge (cont'd) Chengya Expressway (cont'd)

Comparison of toll income of Chengya Expressway from 2000 to 2002



The main reasons for the obvious growth in operating results of Chengya Expressway were as follows:

- 2002 is the third year of which Chengya Expressway was opened to traffic. Its traffic flow was during the stage of rapid growth;
- the faster economic development in the western part of Sichuan Province and the further improvement in the tourist facilities of the region as well as the significant increase in vehicle ownership especially private cars in 2002 effectively encouraged the boom of tourist industry in the western part of Sichuan Province. As a result, there was obvious growth in the traffic flow of Chengya Expressway;
- the avoidance of traffic flow diversion of Chengya Expressway in the first five months in 2002 as the renovation works of Chengdu - Xinjin section of Dajian Road which is parallel to Chengya Expressway was not yet completed.

3. Business Review and Analysis (cont'd)

2. Principal activities - Operation of Toll Roads and Bridge (cont'd)

Chengbei Exit Expressway

Chengbei Exit Expressway, 10.42 km long, starts from Qinglongchang and ends at Baihelin. It is a closed dual three-lane system which connects Chengdu and Chengmian Expressway. Chengbei Exit Expressway was completed and open to traffic in December 1998. The Company has 60% equity interests in Chengbei Company.

In 2002, the operating conditions of Chengbei Exit Expressway experienced great changes and there were seriously unfavourable circumstances for its toll income.

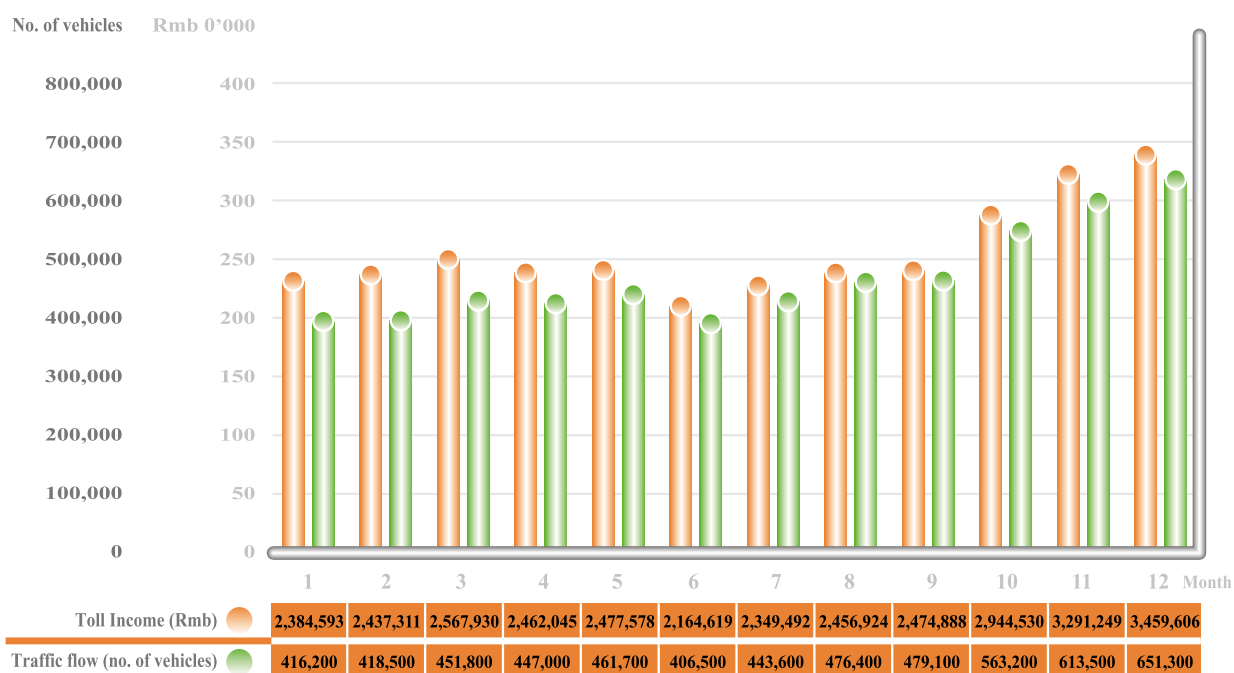
- Chengdu Raocheng Expressway commenced operation in January 2002. This diverted one-third of the traffic flow between Mianyang and Chengdu from Chengbei Exit Expressway. In addition, most of them were cargo vehicles above Class II running from Sichuan to other provinces. As a result, there was a significant loss of toll income by 50% for that route. The total toll income decreased by approximately 20%;
- During the period from October 2001 to the second half of September 2002, the Sima Bridge Section of Dajian Road which is parallel to Chengbei Exit Expressway changed from single to dual direction due to the renovation works of Chengdu Fuqing Road which connects with Chengbei Exit Expressway. This diverted 15% to 20% of the traffic flow from Chengbei Exit Expressway for routes leaving the city;
- The road network in Chengdu became more sophisticated. On 28 October 2002, Chengdu Sanhuan Road commenced full operation. This led to a serious diversion of traffic flow from Chengbei Exit Expressway.
- On 23 December 2002, Chengnan Expressway (from Chengdu to Nanchong) commenced full operation which attracted traffic flow among the regions with routes in northeastern direction. It is expected that this will divert 10% to 15% of traffic flow from Chengbei Exit Expressway.

As a result of the above changes in operating environment, the toll income of Chengbei Exit Expressway started to decrease significantly from early 2002, from the previous daily average between Rmb130,000 and Rmb140,000 to approximately Rmb100,000. Chengbei Company had forecasted in advance that the toll income conditions in 2002 would not be optimistic. After detailed research and study, Chengbei Company proposed in the beginning of 2002 to acquire the operating rights of a toll road, which is known as Chengbei Exit Dajian Road and is parallel to Chengbei Exit Expressway and Qinglongchang Bridge, which is adjacent to Chengbei Exit Expressway as a measure to improve and turnaround the unfavourable conditions of Chengbei Exit Expressway. After the efforts over half a year, Chengbei Company reached an agreement with the Chengdu Municipal Bureau of Communications in respect of the acquisition of the operating rights of the road and the bridge mentioned above. Owing to the timely realignment of the operating structure, Chengbei Company was able to gradually turnaround the unfavourable operating conditions from the second half of the year. This was fully demonstrated by the increase of daily toll income of Chengbei Exit Expressway to Rmb140,000 from October. Accordingly, notwithstanding the extremely unfavourable conditions, toll income of Chengbei Company still amounted to approximately Rmb31,471,000 in 2002, representing a slight decrease of 0.34% as compared with the last year. Profit amounted to approximately Rmb1,094,000, a rise of 7.05% as compared with the last year.

3. Business Review and Analysis (cont'd)

2. Principal activities - Operation of Toll Roads and Bridge (cont'd) Chengbei Exit Expressway (cont'd)

Bar Chart showing Traffic Flow and Toll Income of Chengbei Exit Expressway in 2002



Airport Expressway

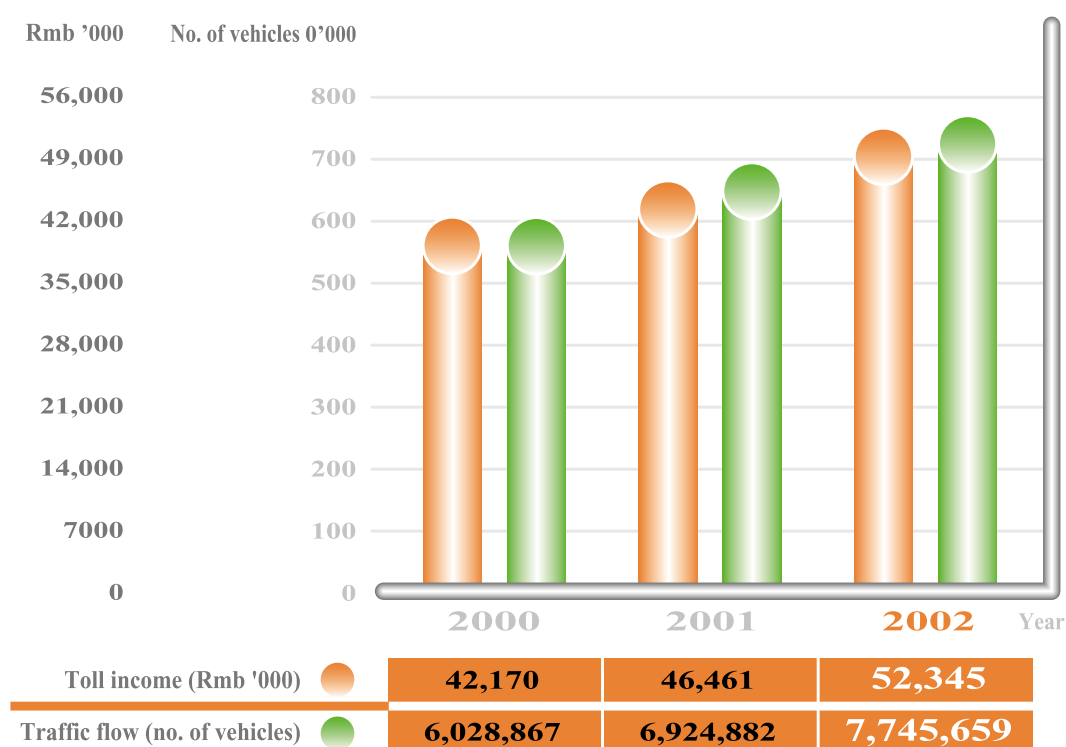
Airport Expressway, 11.92 km long, is an affiliated project of Chengdu Shuangliu International Airport. It is a closed dual three-lane expressway system connecting Chengdu and Shuangliu International Airport. Airport Expressway commenced its trial operation on 9 July 1999. The Company has 25% equity interests in Airport Expressway Company.

Thanks to the increase in number of passengers and flights of Chengdu Shuanglin International Airport, and the commencement of full operation of Airport Expressway and the completion and operation of the new airport lounge building in October 2001, Airport Expressway achieved a satisfactory operating result in 2002. During the year ended 31 December 2002, the average daily traffic flow reached approximately 21,221, representing an increase of 11.85% over the last year; toll income amounted to approximately Rmb52,345,000, representing an increase of 12.66% over the last year; and profit was approximately Rmb8,592,000, representing an increase of 107.84% over the last year. Following the implementation of the grand development strategy for the western region and further increase in the number of domestic and international flights of Chengdu Shuangliu International Airport, growth in traffic flow of Airport Expressway is expected to continue.

3. Business Review and Analysis (cont'd)

2. Principal activities - Operation of Toll Roads and Bridge (cont'd) Airport Expressway (cont'd)

Bar Chart of Toll Income and Traffic Flow of Airport Expressway from 2000 to 2002



3. Business Review and Analysis (cont'd)

2. Principal activities - Operation of Toll Roads and Bridge (cont'd) Toll Roads and Bridge in Zigong and Luzhou

The Company holds, through its subsidiary - Shuhai Company 59.94% of the operation rights and related interests in each of Zigong Ring Roads in Zigong, and Lulong Road, Luhe Road and Tuojiang Er Bridge in Luzhou.

During the year ended 31 December 2002, toll income of Zigong Ring Roads and the two roads and one bridge in Luzhou amounted to approximately Rmb64,647,000, representing an increase of 1.86% over the last year. Toll income from Zigong Ring Roads grew by 4.69% over the previous year. As affected by the diversion of Longna Expressway and change to single travel direction of Tuojiang Er Bridge due to the implementation of lane connection renovation project in April and May, toll income from the two roads and one bridge in Luzhou only slightly increased by 0.32%. Net profit was approximately Rmb15,794,000, representing a decline of 18.5% from the last year. The decline in profit was mainly attributable to the increase in maintenance expenses for Zigong Ring Roads and Lulong Road which led to a surge in operating costs by 13.21% to approximately Rmb5,098,000 when compared with the last year.

3. Other Businesses

Apart from improving the operation and management of its principal activities, the Company also devoted significant efforts on developing road-related business and multiple operations beyond the road by leveraging on its principal activities in an attempt to explore the potential profitability of supplementary highway facilities and to expand the room for the Company's development.

The Company's non-core businesses are principally developed by the following three subsidiaries:

1. Shuhai Company

Shuhai Company is an investment management limited company and its major scope of businesses includes investment in road infrastructure projects and other projects, investment consulting (excluding financial and security business), high-tech products and technological development. The Company holds 99.9% equity interests in Shuhai Company. Currently, Shuhai's income is mainly derived from road infrastructure investments (in the toll roads and bridge in Zigong and Luzhou, details of which were disclosed above).

3. Business Review and Analysis (cont'd)

3. Other Businesses (cont'd)

2. Shusha Company

Shusha Company is principally engaged in gas station operation, advertisement billboard leasing, vehicle maintenance and mobile emergency repair services along Chengyu Expressway and multiple operations beyond the road. The Company holds 99.5% equity interests in Shusha Company.

In 2002, Shusha Company strengthened its management, explored new channels and devoted great efforts on carrying out multiple operations based on the competitive advantages of Chengyu Expressway so that it achieved good economic effectiveness. For the year ended 31 December 2002, operating income of Shusha Company amounted to approximately Rmb5,870,000, representing a growth of 29.55% from the last year. Through reinforcing the efforts on controlling operating costs and administrative expenses, operating costs were reduced by 16.01% and 2.6% respectively from the last year. Net profit amounted to approximately Rmb1,167,000 for the year, which achieved the operation target of turnaround from loss making to registering profit.

After Shusha Company spent three years in searching and implementation and summarised the past experience, such company gradually established its focus on the three resources businesses of advertising, energy and property development. Shusha Company invested and held 70% equity interests in Zigong Jiu Da Petrochemical Company Limited in July 2001. In June 2002, Zigong Jiu Da Petrochemical Company Limited changed its name to Chengyu Energy Company. In September 2002, the construction of the Zigong Shuping oil tanks which were invested and constructed by Chengyu Energy Company was completed and put into trial operation. In order to gradually enter into the property development market in Chengdu, Shusha Company participated in the establishment of Sichuan Shusha Construction Company Limited in June 2002. Shusha Company holds 10% equity interest therein. In order to achieve vertical integration of advertisement operation, Shusha Company participated in the establishment of Chengyu Advertising Company in November 2002. Shusha Company holds 60% equity interests therein. The basic structure for the continuous development of Shusha Company was preliminarily established.

3. Shugong Company

Shugong Company is principally engaged in the construction and maintenance of infrastructures such as road, bridge and tunnel and the sale of mechanical machinery and materials. The Company holds 95% equity interests in Shugong Company.

In order to gradually introduce market mechanism, the Company undertook a reform in its maintenance system in the second half of 2002 in accordance with the principle of separating administration and maintenance in respect of road to shift three maintenance centres to Shugong Company. During the year ended 31 December 2002, principal operating income of Shugong Company amounted to approximately Rmb4,425,000, representing an increase of 13.05% over the last year. Net profit of approximately Rmb86,000 was recorded, representing an increase of 362.4% from the previous year.



4. Financial Analysis

Summary of the Group's Results

	2002 Rmb'000	2001 Rmb'000
Turnover	791,142	664,607
Operating profit before tax	193,878	168,494
Profit attributable to shareholders	210,305	174,576
Earnings per share (Rmb)	0.0822	0.0682

Summary of the Group's Assets

	As at 31 December 2002 Rmb'000	As at 31 December 2001 Rmb'000
Total assets	8,053,518	7,907,440
Total liabilities	3,019,618	2,980,246
Minority interests	427,649	454,506
Total net assets	4,606,251	4,472,688
Net assets per share (Rmb)	1.80	1.75

Profit Contribution by Business Operation for 2002

	Turnover Rmb'000	Contribution to operating profit/(loss) Rmb'000
Chengyu Expressway	519,332	236,877
Chengya Expressway	156,831	45,412
Chengbei Exit Expressway	29,687	14,037
Two Class II roads in Zigong	22,067	4,568
Two Class II roads and one toll bridge in Luzhou	39,872	14,024
Sales of petroleum products	23,353	(2,296)
	791,142	312,622

4. Financial Analysis (cont'd)

Financial Analysis

The Group adopted positive and prudent financial policy. With the aim of continuous development, the Group endeavoured to reduce operating costs, strictly control investment risk so as to maximise the investment returns to shareholders.

As at 31 December 2002, the Group has a relatively stable financial position mainly due to the significant reduction of losses incurred by the main investment project of Chengya Expressway. However, the Company increased expenses on road maintenance and provision for bad debts, resulting in a decline in the Group's operating results to certain extent. Turnover of the Group amounted to approximately Rmb791,142,000 for the year, representing an increase of 19.04% as compared with the last year. Profit attributable to shareholders amounted to approximately Rmb210,305,000, representing an increase of 20.47% over the last year.

Major factors affected profit attributable to shareholders of the Group for 2002 were as follows: 1. Toll income of Chengya Expressway amounted to approximately Rmb166,381,000, while finance costs reached approximately Rmb115,917,000. Operating loss was approximately Rmb70,507,000; 2. After more than eight years of operation of Chengyu Expressway, certain section of the expressway required major repairs and maintenance. During the year, the maintenance expenses as included in operating costs increased by approximately Rmb42,200,000 over the last year. The Group's expenses for major and medium maintenance works increased by approximately Rmb45,504,000 as compared with the last year. This became a major factor affecting the Group's profit attributable to shareholders; 3. Full provision of approximately Rmb11,169,000 was made for the deposit placed with Guanghua Office of Sichuan Trust and Investment Corporation, which was under liquidation procedures; 4. The Company's policy on salaries and bonus was linked with toll income which significantly increased during the year. As a result, the staff salaries increased accordingly. This increase together with additional contributions for staff retirement scheme led to an increase of staff costs by approximately Rmb12,846,000 as compared with the last year; 5. Provision for diminution in value of the long term investment in Technology Transfer Centre of Sichuan University amounted to approximately Rmb8,953,000; 6. Full provision for the amounts receivable from Chengdu Yuanwang Realty relating to the transfer of equity interests in Tuo Pu Sheng Tai amounted to Rmb2,945,000; 7. Depreciation and amortisation charges increased by Rmb13,139,000 for normal operations. However, the applicable Enterprise Income Tax rate of the Company was reduced to 15% for the years from 2001 to 2010 from 24% as approved by the Sichuan Provincial Branch of the State Tax Bureau in November 2002. In addition, the Company was granted a tax concession to pay Enterprise Income Tax at 50% of the applicable rate for the three years from 2000 to 2002. The actual tax rate of the Company therefore decreased to 7.5% for 2001 and 2002. Furthermore, the overpaid Enterprise Income Tax of 2001 amounting to approximately Rmb10,813,000 was approved to be used to set off against the Enterprise Income Tax for 2002. In addition, the Group strengthened management in toll collection. Toll income of Chengyu Expressway increased by 16.92% as compared with the last year and toll income of Chengya Expressway increased by 20.08% over the last year. On the other hand, the Group's efforts on tightening internal cost control and management, rationalization of debts and arrangement for repayment of loans on a timely basis resulted in a decrease in finance costs by approximately Rmb13,431,000 from the last year. Accordingly, there was an increase in the profit attributable to shareholders as compared with the last year.

4. Financial Analysis (cont'd)

Liquidity of Capital and Sources of Finance

In 2002, capital expenditure of the Group reached Rmb368,325,000, which was mainly financed by funds derived from operations and bank loans. As at 31 December 2002, the Group's bank loans amounted to Rmb2,149,220,000 with an average interest rate of approximately 5.8%. As at 31 December 2002, unutilised banking facilities of the Group amounted to Rmb1,081,000,000, which are all five-year long-term loans. The amount is a standby loan and will be utilised when appropriate. The gearing ratio of the Group was 37.49% as at 31 December 2002. Details of capital structure together with comparative figures as at 31 December 2001 are set out as follows:

	As at 31 December 2002		As at 31 December 2001	
	Total amount (Rmb'000)	Percentage (%)	Total amount (Rmb'000)	Percentage (%)
Shareholders' equity	4,606,251	57.20	4,472,688	56.56
Debt with floating interest rate	2,149,220	26.68	2,108,877	26.67
Interest-free debt	870,398	10.81	871,369	11.02
Minority interests	427,649	5.31	454,506	5.75
Total	8,053,518	100	7,907,440	100
Debt-equity swap ratio	65.55%		66.63%	

Financial Policy

The Group has stringent cash management and risk control measures. The Group usually places its cash as short-term deposits in Renminbi. Among the Group's debts with floating interest rate, there is a loan of US\$12,768,000 lent by the World Bank which was on-lent through Sichuan Highway Development, the parent company. The Company makes payment of the principal and related interest through purchase of foreign exchange from its parent company with Renminbi at floating exchange rate. Other loans are denominated in Renminbi and repaid from Renminbi income. In addition, the Group purchases foreign exchange to make dividend distribution to holders of H Shares. The Group evaluates exchange risk as follows: Following the abnormally slow increase of the global economy in 2001 and 2002, the rate of growth in gross domestic product of global economy in 2003 will be higher than the past two years and there will be a turnaround from the stagnation condition and decreasing trend at the end of 2002 to a moderate recovery. In 2002, foreign trade of the PRC continued to increase and the inflow of foreign capital continued to expand. It is expected that the foreign trade of the PRC will continue to maintain an increasing trend and exchange rate of Renminbi will continue to be stable. Accordingly, the present exchange risk faced by the Company in respect of its assets and loans denominated in US dollars is very low.

As a result of the decrease in US dollar interest cuts, interest expenses for certain loans of the Company denominated in US dollar and with floating interest rate were reduced.

Capital Commitment

Details of the Group's capital commitment are set out in note 31 to the financial statements.

5. Prospects and Outlook

In 2003, the PRC government will continue to implement an active fiscal policy and prudent monetary policy. This macroeconomic policy and the grand development strategy for the western region will stimulate the economic development of Sichuan Province. This will provide with the Company a good operating condition and widen the scope for the Company's development.

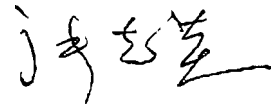
In 2003, the State's macroeconomic policy will continue to place emphasis on the construction of infrastructure facilities. There will be a good opportunity for expediting the development of the transportation in Sichuan Province. The Department of Communications of Sichuan Province has timely made a construction plan to increase over 500 km long expressway in the forthcoming five years with a view of further refining the main skeleton of expressway networks within Sichuan Province. This will be an opportunity of development as well as a challenge for the Company. Accordingly, the Company has set out a strategic study on the Company's future development in the long-term and medium term on the basis of continuous growth. The Company has made a preliminary business development plan for the forthcoming five years. Firstly, the Company will fully utilise the capital market, expedite the pace of fund-raising and investment and actively participate in expressway projects which have been completed in its construction and generate good effectiveness in order to ensure continuous development of the Company. Secondly, in accordance with the development plan of transportation in Sichuan Province, the Company will focus on and actively participate in those projects which will have significant impact on the Company's development (such as expressways which will lead to relatively significant diversion of traffic flow of the Company's existing toll roads). The Company will strive to ensure that principal operating income will not be affected by the diversion of traffic flow. The Company will endeavour to expand and strengthen the Company's principal businesses, strengthen the Company's competitiveness in the market and enhance the Company's ability against risks.

To cope with the Company's future development, the Company will further focus on the following works in 2003:

1. To engage in renovation of corporate system towards standardisation, establish and improve the Company's organisation structure and system structure in accordance with the provisions of the Company Law and the target of a modern enterprise system, the Company will strive to achieve scientific decision-making, regulation of behaviour by law, standardisation of services and systematic inspection in order to enhance the quality of corporate governance.
2. To cautiously set out a practicable and feasible investment plan in line with the development plan of transportation networks in Sichuan Province, fully utilise the Company's good standing in the market for fund-raising and creditability to expand the channels of fund-raising on the basis of not affecting the interest of shareholders, the Company will study and implement various fund-raising activities including bank loans, corporate bonds and issue of shares in order to meet the Company's operating requirements and ensure the smooth implementation of the Company's investment plan and safe and effective development of principal businesses.
3. To properly establish corporate culture and strive to promote within the enterprise the spirit of learning, respecting individual occupation and works as well as team work, the Company will continuously enhance the overall quality of the staff team and try to attract, cultivate and retain various talents for the Company's future development by way of creating a good and smooth human culture.

5. Prospects and Outlook (cont'd)

4. To further enhance the level of management and services of the existing roads in order to attract more potential traffic flow and ensure continuous and stable growth of principal operating income, the Company will place emphasis on maintenance works of the Company's largest profitable project, Chengyu Expressway, to improve the conditions of its traffic flow and ensure the level of profit. Along with the implementation of maintenance works, the Company will firstly strive to maintain the road engineering technical standards and construction quality as well as control the cost at a reasonable level in line with the practicable conditions of the Company; secondly, organise the works in a scientific manner in accordance with the concept of "all for the benefits of car-owners in terms of traffic flow and service", properly handle the conflict between traffic flow and road maintenance and reduce to the largest extent the inconvenience of traffic flow caused by the road maintenance.
5. To actively and carefully implement the reform in labour recruitment and allocation system and strengthen human resources management, the Company will gradually establish a personnel system that well-performed staff can be recruited and promoted and bad-performed staff can be dismissed and demoted. Based on the principle of efficiency as the priority, the Company will establish a scientific and reasonable remuneration system to encourage the initiative of staff on their works and enhance the efficiency of the Company's operation.



Zhang Zhiying
Vice-Chairman and General
Manager

Chengdu, Sichuan, the PRC
20 March 2003