



## FINANCIAL REPORT

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004

	Notes	For the six months ended 30 June	
		2004 Rmb'000 (Unaudited)	2003 Rmb'000 (Unaudited)
TURNOVER	2,3	430,152	454,208
Other revenue and gains	3	20,690	14,681
Depreciation and amortisation expenses		(108,594)	(116,810)
Staff costs		(34,157)	(29,004)
Other operating expenses		(120,934)	(159,071)
PROFIT FROM OPERATING ACTIVITIES	4	187,157	164,004
Finance costs	5	(54,899)	(54,625)
Share of profits less losses of associates		1,723	(97)
PROFIT BEFORE TAX		133,981	109,282
Tax	6	(28,761)	(21,342)
profit before minority interests		105,220	87,940
Minority interests		10,067	11,219
NET PROFIT FROM ORDINARY ACTIVITIES			
ATTRIBUTABLE TO SHAREHOLDERS		115,287	99,159
EARNINGS PER SHARE — basic	7	Rmb0.0451	Rmb0.0388



## CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004	2003
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total equity at 1 January	4,737,173	4,606,251
Net profit from ordinary activities attributable to shareholders	115,287	99,159
Dividends	<u>(81,858)</u>	<u>(76,742)</u>
Total equity at 30 June	<u><u>4,770,602</u></u>	<u><u>4,628,668</u></u>



## CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2004

	30 June 2004 <b>Rmb'000</b> (Unaudited)	31 December 2003 <i>Rmb'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>		
Fixed assets	<b>6,709,783</b>	6,806,558
Payments in advance	<b>227,487</b>	219,356
Goodwill:		
Goodwill	<b>12,900</b>	13,585
Negative goodwill	<b>(2,331)</b>	(2,492)
Interests in associates	<b>52,455</b>	52,971
Long term investments	<b>34,795</b>	34,795
	<b>7,035,089</b>	7,124,773
<b>CURRENT ASSETS</b>		
Inventories	<b>19,659</b>	25,425
Trade receivables	<b>829</b>	4,532
Prepayments, deposits and other receivables	<b>24,539</b>	113,154
Cash and cash equivalents	<b>824,610</b>	618,011
	<b>869,637</b>	761,122
<b>CURRENT LIABILITIES</b>		
Tax payable	<b>38,598</b>	30,498
Other payables and accruals	<b>238,245</b>	241,675
Interest-bearing bank and other loans	<b>226,134</b>	214,083
Dividends payable	<b>21,038</b>	—
Due to the ultimate holding company	<b>3,455</b>	597,374
	<b>527,470</b>	1,083,630
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>342,167</b>	(322,508)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>7,377,256</b>	6,802,265
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other loans	<b>2,357,598</b>	1,805,969
<b>MINORITY INTERESTS</b>	<b>249,056</b>	259,123
	<b>4,770,602</b>	4,737,173
<b>CAPITAL AND RESERVES</b>		
Issued capital	<b>2,558,060</b>	2,558,060
Reserves	<b>2,212,542</b>	2,097,255
Proposed final dividend	<b>—</b>	81,858
	<b>4,770,602</b>	4,737,173



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004	2003
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET CASH INFLOW/(OUTFLOW) FROM		
OPERATING ACTIVITIES	(311,605)	296,029
NET CASH INFLOW/(OUTFLOW) FROM		
INVESTING ACTIVITIES	<u>69,733</u>	<u>(60,368)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE		
FINANCING ACTIVITIES	(241,872)	235,661
NET CASH INFLOW/(OUTFLOW) FROM		
FINANCING ACTIVITIES	<u>448,018</u>	<u>(76,479)</u>
INCREASE IN CASH AND		
CASH EQUIVALENTS	206,146	159,182
CASH AND CASH EQUIVALENTS AT		
BEGINNING OF PERIOD	<u>590,834</u>	<u>338,567</u>
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	<u><u>796,980</u></u>	<u><u>497,749</u></u>
ANALYSIS OF BALANCES OF CASH AND		
CASH EQUIVALENTS		
Cash and bank balances	796,980	457,407
Time deposits with original maturities		
of three months or less	<u>—</u>	<u>40,342</u>
	<u><u>796,980</u></u>	<u><u>497,749</u></u>



## **NOTES TO CONDENSED FINANCIAL STATEMENTS**

*30 June 2004*

### **1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

These unaudited condensed interim consolidated financial statements should be read in conjunction with the 2003 annual audited financial statements.

The condensed interim consolidated financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting”. The accounting policies and basis of preparation used in the preparation of the condensed interim consolidated financial statements are the same as those used in the annual consolidated financial statements for the year ended 31 December 2003.



## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 2. SEGMENTAL INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format. The Group's turnover and contribution to profit from operating activities for the six months ended 30 June 2004 (the "Period") were derived in Sichuan Province, the PRC. Accordingly, no segment information by geographical segment is presented. The Group has only one business segment in respect of toll operation (with the sale of petroleum products not being material). The following segment information by business segment is presented as additional information only.

	For the six months ended 30 June			
	2004		2003	
	Contribution to profit from operating activities		Contribution to profit/(loss) from operating activities	
	Turnover	activities	Turnover	activities
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Toll revenue	420,435	187,111	385,981	165,590
Sale of petroleum products	9,717	46	68,227	(1,586)
	<u>430,152</u>	<u>187,157</u>	<u>454,208</u>	<u>164,004</u>



## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 3. TURNOVER, OTHER REVENUE AND GAINS

An analysis of turnover, other revenue and gains is as follows:

	For the six months ended 30 June	
	2004	2003
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Turnover		
Toll revenue		
— Chengyu Expressway	317,530	267,179
— Chengya Expressway	99,978	79,675
— Chengbei Exit Expressway	25,921	27,818
— Zigong Ring Roads	—	11,757
— Toll Bridge and Roads in Luzhou	—	20,775
	<u>443,429</u>	<u>407,204</u>
Sale of petroleum products	9,717	68,227
	<u>453,146</u>	<u>475,431</u>
Less: revenue taxes	(22,994)	(21,223)
	<u>430,152</u>	<u>454,208</u>
Other revenue		
Rental income	7,756	5,612
Road maintenance income	4,891	3,196
Interest income	4,665	2,331
Dividend income from a long term investment	513	—
Miscellaneous	2,704	2,223
	<u>20,529</u>	<u>13,362</u>
Gains		
Negative goodwill recognised	161	161
Gain on disposal of fixed assets	—	1,158
	<u>161</u>	<u>1,319</u>
Other revenue and gains	<u>20,690</u>	<u>14,681</u>



## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2004	2003
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Depreciation	108,594	104,315
Amortisation of operating rights	—	12,495
Goodwill:		
Amortisation for the period	685	—
Minimum lease payments under operating leases:		
Land and buildings	396	421
Staff costs:		
Wages and salaries	27,943	24,106
Pension scheme contributions	3,820	3,351
Accommodation benefits	2,394	1,547
Cost of petroleum products sold	9,671	66,999
Bad debt expenses	900	330





## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 5. FINANCE COSTS

	For the six months ended 30 June	
	2004	2003
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on bank loans wholly repayable		
within five years	50,980	48,809
Interest on other loans	3,863	5,740
Exchange losses	56	76
	<u>54,899</u>	<u>54,625</u>

### 6. TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the Period.

Pursuant to documents “Cai Shui [2001] No. 202” and “Guo Shui Fa [2002] No. 47” issued by the State Tax Bureau and approval documents “Chuan Guo Shui Han [2002] No. 244” dated 16 October 2002 and “Chuan Guo Shui Zhi Han [2002] No. 30” dated 21 November 2002 issued by Sichuan Provincial Branch of State Tax Bureau, the Company is required to pay Enterprise Income Tax (“EIT”) at the preferential rate of 15% for eight years from 1 January 2003.



## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 6. TAX (continued)

Pursuant to a document “Guo Ban Fa [2001] No. 73” dated 29 September 2001 issued by the State Council of the PRC and approval by local tax authorities, the Company’s then subsidiaries, Zigong Shunan Ring Road Company Limited and Luzhou Shulu Road Company Limited, and the Company’s associate, Chengdu Airport Expressway Company Limited, were granted a tax concession to pay EIT at the preferential rate of 15% for a period of 10 years from 1 January 2001 to 31 December 2010.

The other subsidiaries and associates of the Company are required to pay EIT at the standard rate of 33%.

Major components of income tax expenses for the Period are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>Rmb'000</b>	Rmb'000
	<b>(Unaudited)</b>	(Unaudited)
Group:		
Current — PRC		
Charge for the period	<b>28,482</b>	21,326
Share of tax attributable to associates	<b>279</b>	16
	<hr/>	<hr/>
Total tax charge for the period	<b>28,761</b>	21,342
	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 6. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and associates are domiciled to the tax expense at the effective tax rates are as follows:

	For the six months ended 30 June	
	2004	2003
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Profit before tax	133,981	109,282
Tax at an applicable tax rate of		
— 33%	2,205	2,696
— 15%	19,095	15,167
Subtotal	21,300	17,863
Expenses not deductible for tax	2,202	804
Income not subject to tax	(110)	—
Tax losses of subsidiaries	5,369	2,675
Actual tax expense	28,761	21,342

### 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Period of Rmb115,287,000 (2003: Rmb99,159,000) and 2,558,060,000 (2003: 2,558,060,000) Domestic and H Shares in issue during the Period.



## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 8. DIVIDEND

At a meeting of the board of directors held on 17 August 2004, the directors of the Company resolved not to pay an interim dividend to shareholders (2003: nil).

### 9. COMMITMENTS

	<b>30 June 2004 Rmb'000 (Unaudited)</b>	<b>31 December 2003 Rmb'000 (Audited)</b>
Contracted, but not provided for	<b>6,552</b>	26,164
Authorised, but not contracted for	<b>71,197</b>	27,560
	<b><u>77,749</u></b>	<b><u>53,724</u></b>

Further details of the capital commitments of the Group as of 30 June 2004 are analysed as follows:

	<b>30 June 2004 Rmb'000 (Unaudited)</b>	<b>31 December 2003 Rmb'000 (Audited)</b>
In respect of:		
— Acquisition of the operating rights	<b>17,861</b>	33,900
— Others	<b>59,888</b>	19,824
	<b><u>77,749</u></b>	<b><u>53,724</u></b>

## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 10. RELATED PARTY TRANSACTIONS

In the previous years, the Group obtained State loans amounting to Rmb250 million (2003: Rmb250 million) in aggregate pursuant to loan repayment agreements (the “Loan Repayment Agreements”) entered into between Sichuan Highway Development Holding Company (“Sichuan Highway Development”), the ultimate holding company of the Company and the Company. The State loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development of the Sichuan Province. For the purpose of financing the construction of the Chengya Expressway, Sichuan Highway Development had initially obtained the State loans and pursuant to the Loan Repayment Agreements, the State loans were then transferred to the Group. During the Period, the Group repaid certain part of the State loans amounting to Rmb6,818,000 (2003: nil).

At 30 June 2004, the Group’s bank loans amounting to Rmb580 million (31 December 2003: Rmb470 million) were guaranteed by Sichuan Highway Development.

On 20 May 2004, the Company and Sichuan Highway Development entered into a conditional share transfer agreement regarding the acquisition of 99.18% interest of Sichuan Highway Development in Sichuan Chengle Expressway Co., Ltd. (“SC Expressway”) (the “Conditional S&P Agreement”). The consideration payable by the Company under the Conditional S&P Agreement is Rmb777,000,000, which was determined by the Company and Sichuan Highway Development on normal commercial terms after arm’s length negotiations. The basis of the consideration was determined with reference to the fair business value of SC Expressway as at 31 March 2004 appraised by a qualified PRC valuer, Sichuan Huaheng Asset Appraisal Limited Company. Pursuant to the Conditional S&P Agreement, completion of the Conditional S&P Agreement is conditional upon, among other things, the following conditions having been fulfilled:



## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 June 2004

### 10. RELATED PARTY TRANSACTIONS (*continued*)

1. the passing by the general manager administration association of Sichuan Highway Development of the resolution to approve the acquisition;
2. the obtaining of the approval by the shareholders of the Company of the acquisition;
3. the obtaining of the approval for the transfer of the interest by Sichuan Highway Development by the relevant asset administrative department in the PRC;
4. the passing by the shareholders of SC Expressway of the resolution to approve the transfer of interest and having minority shareholder agreed to renounce its pre-emptive right to purchase the interests in SC Expressway;
5. the obtaining of the approval for the rights to receive and collect toll fare of Sichuan Chengle Expressway by SC Expressway from the Sichuan Provincial Communications Department (四川省交通廳) and Sichuan Provincial Price Bureau(四川省物價局);
6. the obtaining of the land use rights certificate on the land property situated in western district in Jia Jiang Tian Fu Service District (夾江天福服務區西區) from the Sichuan Department of Land and Resources(四川省國土資源廳); and
7. the obtaining of the approval from China Securities Regulatory Commission (中國證券監督管理委員會) ("CSRC") for the Company's A Shares Issue.

On 15 July 2004, the Company and Sichuan Highway Development have agreed to suspend to proceed with the Conditional S&P Agreement with immediate effect due to the dispute raised by Oriental Harvest Infrastructure Investment (China) Limited ("Oriental Harvest"), an independent third party, in relation to the shareholding structure of SC Expressway, which may affect the subject matter of the Conditional S&P Agreement.



## **NOTES TO CONDENSED FINANCIAL STATEMENTS**

*30 June 2004*

### **11. APPROVAL OF THE INTERIM FINANCIAL REPORT**

The interim financial report was approved by the board of directors on 17 August 2004.