



## SIGNIFICANT EVENTS

### **I. Corporate governance**

During the Period, the Company properly carried out its operations in strict compliance with the requirement of the Stock Exchange, and continued to improve itself for healthy and sound corporate governance. On 3 June 2004, the Company convened its 2003 Annual General Meeting, at which the proposal for amendments to the Articles of Association submitted by the Board of Directors (the “Board”) was considered and approved by shareholders of the Company. In the Period, the Company formulated regulations such as Rules of Procedure for General Meeting, Rules of Procedure for the Board of Directors, Method for Fund Management, Method for Investment Management, Management Method for Information Disclosure, and Decision-Making Principles on Connected Transactions. The said regulations were passed at the 3rd meeting of the third Board of Directors on 20 May 2004, and will come into effect upon an approval by the Company’s shareholders at a general meeting. In addition, the Company formulated Work Rules of the General Manager, which has come into effect and approved by the Board at the 3rd meeting of the third Board of Directors on 20 May 2004.

### **II. Profit distribution proposal for the half year of 2004**

The Board did not recommend an interim dividend for the six months ended 30 June 2004 or capitalisation of any capital reserve into share capital.



### **III. Implementation of the profit distribution proposal for the year 2003**

As considered and passed at the 2003 Annual General Meeting held on 3 June 2004, the profit distribution proposal for the year 2003 was as follows: based on the total share capital of 2,558,060,000 shares as at the end of 2003, a cash dividend of Rmb0.32 (inclusive of tax) per 10 shares be distributed to all shareholders, with the dividend totalling Rmb81,858,000.

As authorised by the general meeting, the Board published the announcement in respect of resolutions passed at the 2003 Annual General Meeting in Hong Kong Economic Times and The Standard on 4 June 2004. The Board resolved that the dividend for H shares as calculated in Renminbi and paid in Hong Kong Dollars be HK\$0.03013 per share in cash. On 18 June 2004, the said dividend was paid to those shareholders whose names appeared on the register of members of the Company as at 3 June 2004.

### **IV. Litigation and arbitration of material importance**

During the Period, the Company was not engaged in any material litigation or arbitration.

### **V. Material acquisition and sale of assets**

There was no material acquisition, sale or disposal of assets during the Period.



## **VI. Connected transactions**

In the previous years, the Group obtained State loans amounting to Rmb250 million (2003: Rmb250 million) in aggregate pursuant to the Loan Repayment Agreements entered into between 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).

On 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 entered into the Conditional S&P Agreement with Sichuan Highway Development which holds 39.3% equity interest in the Company, pursuant to which the Company proposed to acquire 99.18% equity interest in SC Expressway held by Sichuan Highway Development. The acquisition was expected to be financed by the proceeds from the proposed issue of the Company's A shares. On 4 June 2004, the Company issued the announcement headed "Major and Connected Transaction, Proposed Acquisition of Interest in Sichuan Chengle Expressway Company Limited, Proposed Issue of A Shares" (for details, please refer to the published version dated 7 June 2004 in Hong Kong Economic Times / The Standard). On 20 June 2004, the Company received, from Oriental Harvest, a letter of objection to the interest in SC Expressway. As a result, for the best interests of the Company and its investors, the Company decided to suspend the Conditional S&P Agreement and the issue of A Shares (for details, please refer to the announcement headed "Suspension to Proceed with a Major and Connected Transaction and Proposed Issue of A Shares", which was published in Hong Kong Economic Times / The Standard on 16 July 2004). The Company will determine, at its discretion, whether to resume or terminate the Conditional S&P Agreement and the proposed issue of A shares in the future. The suspension will not have any unfavorable impact on the Company's business and financial position.

(For further details of the Loan Repayment Agreements Conditional S&P Agreement, please refer to Note 10 to the condensed financial statements herein)



## **VII. Commitments**

During the Period, none of the Company or any of its shareholders holding 5% or more of shares in the Company had disclosed any commitment in any designated newspaper or website which may have a significant impact on the Company's operating results and financial position.

## **VIII. Material contracts and their implementation**

### **1. Material custody, contracting and lease**

During the Period, the company was not engaged in any material custody, contracting or lease.

### **2. Material guaranty**

The Company did not provide any guarantee for any of its shareholders or connected parties during the Period.

### **3. Designated deposits and overdue time deposits**

The Company had no designated deposits or overdue time deposits placed with any financial institution which could not be recovered during the Period.

## **IX. Punishment inflicted by regulatory authorities**

Neither the Company or the Board nor any of the current directors or senior management members of the Company was the subject of a punishment or other public censure inflicted by regulatory authorities during the Period.



## **X. Other material events**

### **1. Directors' interests in contracts**

None of directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or associated corporations (within the meaning of Part XV of the SFO ("associated corporations") was a party during the Period.

### **2. Directors' rights to acquire shares**

At no time during the Period was the Company, its holding company, or any of its subsidiaries or associated corporations a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

### **3. Interests and short positions in shares, underlying shares and debentures of the Company held by Directors, Chief Executives and Supervisors**

As at 30 June 2004, none of the directors, chief executives or supervisors of the Company, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations which are required to be notified to the Company and the Stock Exchange, or any interests or short positions which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").



#### **4. Employees' number, salaries and accommodation benefits**

For the Period, the Group had 1,858 employees, with their salaries totalling Rmb27,943,000.

According to relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries and wages of the last year, limited to a ceiling amount of three times the employees' average basic salaries within the geographical area where the employees are employed, to an accommodation fund. There are no further obligations on the part of the Group except for such contributions to the accommodation fund. During the Period, the Group's contributions to the accommodation fund amounted to Rmb2,394,000 (for the same period of 2003: Rmb1,547,000).

#### **5. Code of Best Practice**

Other than the setting up of an audit committee which aims at reviewing and supervising the Company's financial reporting process and internal controls, the Company complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the Period. The Company's organizational structure has, in lieu, a supervisory committee which carries out functions similar to those of an audit committee, and the principal difference is that the Company's supervisory committee comprises four representatives (one of which shall be an employee of the Company) who are elected and removed by and shall report to the shareholders' general meeting, whereas members of the audit committee are appointed amongst the non-executive directors of a company.



**6. Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules (“Model Code”)**

During the Period, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. As indicated by specific enquiries to all Directors of the Company, the Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors.

**XI. Other information**

All the Company's announcements are published in Hong Kong Economic Times / The Standard.

1. The announcement in respect of capital injection in subsidiary was published on 6 January 2004;
2. The 2003 results announcement was published on 2 April 2004;
3. The announcement in respect of resolutions passed at the 2003 Annual General Meeting was published on 4 June 2004;
4. The announcement in respect of a major and connected transaction for the proposed acquisition of interest in Sichuan Chengle Expressway Company Limited and the proposed issue of A shares was published on 7 June 2004.
5. The announcement in respect of the delay in despatch of the circular in relation to the major and connected transaction for the proposed acquisition of interest in Sichuan Chengle Expressway Company Limited and the proposed issue of A shares was published on 28 June 2004.



6. The announcement in respect of the suspension to proceed with a major and connected transaction and proposed issue of A shares was published on 16 July 2004.

The Company's interim report and interim results announcement are referred to on the website of the Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)).