四川成渝高速公路股份有限公司

Sichuan Expressway Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 107)

ANNOUNCEMENT OF ANNUAL RESULTS FOR 2007

The board of directors (the "Board") of Sichuan Expressway Company Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2007, prepared in conformity with the basis of presentation as stated in note 1 below, together with the 2006 comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2007** *RMB'000*	2006 *RMB'000*
REVENUE	4	**1,317,442**	1,016,321
Other income and gains	4	**77,733**	64,289
Depreciation and amortisation expenses	5	**(249,945)**	(236,031)
Employee costs	5	**(114,310)**	(104,936)
Other operating expenses		**(333,209)**	(302,723)
Finance costs		**(87,326)**	(114,900)
Share of profits and losses of associates		**4,699**	5,048
PROFIT BEFORE TAX	5	**615,084**	327,068
Tax	6	**(118,799)**	(7,127)
PROFIT FOR THE YEAR		**496,285**	319,941

Attributable to:			
Equity holders of the Company		**487,824**	292,900
Minority interests		**8,461**	27,041
		496,285	319,941
DIVIDEND	7		
Special		**102,323**	—
Proposed Final		**—**	102,322
		102,323	102,322
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic	8	**RMB0.191**	RMB0.115

CONSOLIDATED BALANCE SHEET

At 31 December

	Notes	**2007** *RMB'000*	2006 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**6,010,352**	6,045,738
Prepaid land lease payments		**510,434**	535,740
Operating rights		**109,276**	115,899
Interests in associates		**57,508**	58,535
Available-for-sale investments		**32,795**	32,795
Deferred tax assets		**—**	37,255
Long-term compensation receivables	9	**78,868**	78,918
Payment in advance	10	**100,000**	—
Total non-current assets		**6,899,233**	6,904,880

CURRENT ASSETS			
Inventories		**12,519**	12,258
Prepayments, deposits and other receivables	11	**50,479**	142,155
Cash and cash equivalents		**640,169**	416,840
Total current assets		**703,167**	571,253
CURRENT LIABILITIES			
Tax payable		**49,918**	17,121
Other payables and accruals	12	**201,704**	334,813
Interest-bearing bank and other loans		**1,605,774**	1,592,922
Due to the ultimate holding company		**—**	2,054
Total current liabilities		**1,857,396**	1,946,910
NET CURRENT LIABILITIES		**(1,154,229)**	(1,375,657)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,745,004**	5,529,223
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans		**396,691**	464,418
Deferred tax liabilities		**—**	927
Total non-current liabilities		**396,691**	465,345
Net assets		**5,348,313**	5,063,878

EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**2,558,060**	2,558,060
Reserves	13	**2,688,643**	2,303,142
Proposed final dividend	7	**—**	102,322
		5,246,703	4,963,524
Minority interests		**101,610**	100,354
Total equity		**5,348,313**	5,063,878

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("HK GAAP"). They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand except when otherwise indicated.

The Ministry of Finance of the PRC issued a series of new and revised Accounting Standards for Business Enterprises (the "New Chinese Accounting Standards, CAS") on 15 February 2006. The New CAS has become effective from 1 January 2007 for listed companies in Mainland China. The Company and all its subsidiaries are located in Mainland China, which prepare their PRC statutory financial statements in accordance with the New CAS for accounting periods beginning on or after 1 January 2007.

Fundamental accounting concept

As at 31 December 2007, the current liabilities of the Group exceeded its current assets by approximately RMB1,154.2 million. The directors prepared these consolidated financial statements on a going concern basis notwithstanding the net current liabilities position, because based on the correspondences received by the directors, banking facilities amounting to RMB619 million, RMB1.3 billion and RMB1.0 billion granted by the Industry and Commercial Bank of China, China Construction Bank and Citic Bank, respectively, are available to the Group for the next one to three years. As at 31 December 2007, banking facilities amounting to RMB919 million in aggregate were utilised.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outsider shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is dealt with in equity directly.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements, which are relevant to its operations.

HKAS 1 (Amendment)	Capital Disclosure
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 10	Interim Financial Reporting and Repairment

Except for in certain cases, giving rise to new or revised accounting policies or additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements. The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendment to HKAS 1 Presentation of Financial Statements — Capital disclosures

This amendment requires the Group to make disclosures that enables users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(b) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial statements and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or the results of operations of the Group, comparative information has been included/revised where appropriate.

(c) HK(IFRIC) — Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued and are relevant to these financial statements but are not yet effective, in preparing these financial statements.

HKAS 23 (revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK (IFRIC) — Int 12	Service Concession Arrangements[2]

1 Effective for the year beginning on or after 1 January 2009

2 Effective for the year beginning on or after 1 January 2008

Other than HK(IFRIC) — Int 12 which has impact on the Group's concession rights currently recognised as part of the Group's property, plant and equipment, the Group anticipate the application of these standards and interpretation will have no material impact on the results and the financial position of the Group in the period of initial application.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying assets. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating results, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HK (IFRIC) — Int 12 requires where the Group constructs or upgrades the infrastructure, the Group recognises revenue and costs in the same way as construction contracts during the construction phrase. Construction revenue should be recognised as a financial asset if the Group has an unconditional contractual right to receive cash or other financial assets from or at the direction of the government or as an intangible asset if the Group receives a right to charge users of the public services. When money is actually received, further revenue is recognised under intangible assets model. For the financial asset model, such monies received are treated as partial repayment of the financial assets.

In addition, where the Group has contractual obligations to maintain the infrastructure to a specified level of serviceability or to restore the infrastructure to specified conditions before it is handed over to the government at end of the service arrangement, the best estimate of the present value of expenditure that would be required to settle this obligation at the balance sheet date will be recognised on the consolidated balance sheet as liability.

Unless the Group has recognised an intangible asset, all borrowings costs, other than attributable to the intangible assets recognised under the arrangement will be recognised as an expense in the period in which they are incurred. The Group is still in the process of quantifying the financial impact of this Interpretation to the Group.

3. SEGMENT INFORMATION

The Group's revenue and contribution to profit from operating activities for the two years ended 31 December 2007 were mainly derived from toll operation. The principal assets employed by the Group are located in the Sichuan Province, the PRC. Accordingly, no segment analysis by business or geographical segments is provided.

4. REVENUE, OTHER INCOME AND GAINS

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

	2007	2006
	RMB'000	*RMB'000*
Revenue		
Toll income		
— Chengyu Expressway	**890,289**	665,548
— Chengya Expressway	**394,124**	303,275
— Chengbei Exit Expressway, Qinglongchang Bridge and Chengbei Exit Dajian Road	**74,103**	80,388
	1,358,516	1,049,211
Less: Revenue taxes	**(41,074)**	(32,890)
	1,317,442	1,016,321
Other income and gains		
Road maintenance income	**32,845**	33,944
Rental income	**19,186**	15,616
Interest income from bank deposits	**8,384**	10,359
Interest income from discounting of long term compensation receivables	**11,442**	—
Miscellaneous	**5,876**	4,370
	77,733	64,289
Total revenue, other income and gains	**1,395,175**	1,080,610

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2007	2006
	RMB'000	*RMB'000*
Employee costs (excluding directors' remuneration):		
Wages and salaries	**87,460**	83,743
Pension scheme contributions		
— Defined contribution fund	**13,248**	11,884
Accommodation benefits		
— Defined contribution fund	**10,908**	9,309
Supplementary pension scheme		
— Defined contribution fund	**2,694**	—
	114,310	104,936
Repairs and maintenance	**176,969**	181,005
Depreciation	**218,768**	199,474
Amortisation of prepaid land lease payments	**24,554**	25,173
Amortisation of operating rights	**6,623**	11,384
Minimum lease payments under operating leases:		
Land and buildings	**4,235**	1,692
Auditors' remuneration	**1,634**	1,664
Loss on disposal of items of property,		
plant and equipment	**20,715**	2,602
Loss of disposal of a subsidiary	**581**	—
Provision for impairment of other receivables	**5,223**	8,064
Reversal for impairment of other receivables	**(3,565)**	(797)

6. TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2006: Nil).

Pursuant to the 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 the Sichuan Provincial Branch of the State Tax Bureau, "Chuan Guo Shui Han [2006] No. 40" dated 7 February 2006 issued by the Sichuan Provincial Branch of the State Tax Bureau, for the five years from 1 January 2006 to 31 December 2010, the Company is required to pay corporate income tax ("CIT") at a preferential rate of 18%.

Pursuant to an approval document "Chuan Di Shui Han [2004] No. 283" dated 19 July 2004 issued by the Sichuan Provincial Branch of the State Tax Bureau, the Company's subsidiary, Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company"), was granted a tax concession to pay CIT at a preferential rate of 15% for the period from 1 January 2003 to 31 December 2010.

Pursuant to a document "Guo Ban Fa [2001] No. 73" dated 29 September 2001 issued by the State Council of the PRC and approval of the local tax authorities, Chengdu Airport Expressway Company Limited, an associate of the Company, was granted a tax concession to pay CIT at a 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 CIT at the standard rate of 33%.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In accordance with the Guo Fa [2007] No. 39 promulgated on 26 December 2007, the preferential tax policies for the development of Western China that issued by the State Council shall continue to apply until the end of the tax preferential period. In this connection, the Group and its associate can continue to enjoy the preferential tax rates as described above until the end of their tax preferential periods as the Group and its associate are established and located in Western China.

The major components of income tax expenses for the year are as follows:

	2007	2006
	RMB'000	*RMB'000*
Group:		
Current — PRC		
Charge for the year	**82,471**	47,418
Deferred	**36,328**	(40,291)
Total tax charge for the year	**118,799**	7,127

7. DIVIDEND

(a) Special dividend declared during the year

During the year, a special dividend of RMB0.04 per share of approximately RMB102,323,000 was declared and paid on 19 December 2007.

(b) Final dividend for the year

The Company will not pay a final dividend for the year ended 31 December 2007 to the shareholders.

(c) Dividends attributable to the previous and current financial years , declared and paid during the year

	2007	2006
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2006 of RMB0.04 per share (2005: RMB0.04 per share)	**102,322**	102,322
Special dividend of RMB0.04 per share	**102,323**	—
	204,645	102,322

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company for the year of RMB487,824,000 (2006: RMB292,900,000) and 2,558,060,000 (2006: 2,558,060,000) Domestic and H Shares in issue during the year.

No diluting events existed as the Company did not have any potential shares for the two years or at each of the balance sheet dates. Accordingly, diluted earnings per share amounts for the two years ended 31 December 2007 and 2006 have not been disclosed.

9. LONG-TERM COMPENSATION RECEIVABLES

Pursuant to a compensation agreement dated 29 December 2006 entered into among Xindu District Finance Bureau and Communications Bureau (collectively Xindu District Government, "XDG"), Chengdu Municipal Department of Communications ("CMDC") and Chengbei Company, a subsidiary of the Company, on 30 December 2006, Chengbei Company disposed of the operating rights of Dajian Road to XDG for a compensation of RMB211,802,000.

The compensation is satisfied by cash and would be settled over 17 annual instalments, and can be analyses as follows:

	2007			2006		
	Compensation	**Imputed interest**	**Net present value**	Compensation	Imputed interest	Net present value
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Receivable:						
Within one year	**13,000**	**11,225**	**1,775**	13,000	11,442	1,558
In the second to fifth years, inclusive	**52,000**	**42,061**	**9,939**	52,000	43,276	8,724
Over five years	**133,802**	**64,873**	**68,929**	146,802	76,608	70,194
	198,802	**118,159**	**80,643**	211,802	131,326	80,476
Portion classified as current assets			**(1,775)**			(1,558)
Non-current portion			**78,868**			78,918

As the compensation will be paid by instalment over 17 years, the Group calculated the discounted value of the compensation receivable in future using an imputed rate of interest of 13.92% per annum. The imputed rate of interest adopted reflects risk premium accounted for after considering the credit risk incurred due to the fact that the compensation will be paid over 17 years.

10. PAYMENT IN ADVANCE

Payment in advance represents RMB100 million paid by the Company to Sichuan Highway Development Holding Company (the parent and the ultimate holding company of the Company) and Leshan City Xing Yuan Traffic Development Holding Company (an independent third party) (collectively "Vendor") in relation to acquisition of entire interest in Sichuan Chengle Expressway Company Limited ("SC Expressway").

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2007	2006
	RMB'000	*RMB'000*
Prepayments	**15,812**	113,887
Deposits and other receivables	**100,992**	92,935
	116,804	206,822
Impairment for other receivables	**(66,325)**	(64,667)
	50,479	142,155

The Group's prepayments as at 31 December 2006 mainly included a down payment of RMB100 million made in respect of a proposed acquisition of a 21.16% equity interest in Jiuzhai Huanglong Airport Co., Ltd ("Proposed Investment") by Shuhai, a subsidiary of the Company, according to a series of conditional proposed investment agreements. According to those agreements, the proposed investment should be subject to approval by the Board and shareholders of the Company pursuant to the Hong Kong Listing Rules. However, the proposed investment had not been approved by the Board and shareholders of the Company finally. On 7 March 2007, the Board of Shuhai passed a resolution to withdraw the Proposed Investment. The down payment of RMB100 million was collected by Shuhai on 16 March 2007.

12. OTHER PAYABLES AND ACCRUALS

	2007	2006
	RMB'000	*RMB'000*
Accruals	**6,998**	2,125
Other payables	**194,706**	332,688
	201,704	334,813

Other payables are non-interest-bearing and have an average term of three months, except for warranty payables for the construction of expressways, which have a longer term of approximately two years.

13. RESERVES

In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, the Company, its subsidiaries and associates are required to allocate 10% of their profits after tax, as determined in accordance with PRC GAAP applicable to the Company, its subsidiaries and associates, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Company, its subsidiaries and associates. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, part of the SSR may be converted to increase the share capital of the Company, its subsidiaries and associates, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

In accordance with the revised Company Law of the PRC effective from 1 January 2006, the Company, its subsidiaries and associates are not required to transfer their profits after tax to statutory public welfare Fund (the "PWF"). In 2006, the balance of PWF as at 1 January 2006 was transferred to the SSR according to the revised Company Law of the PRC.

According to the relevant regulations in the PRC, the amount of reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP. The amount of reserves available for distribution for the current year is the amount determined under HK GAAP.

RESULTS AND DIVIDENDS

The Group achieved a fairly good operating result during the year. The Group's total toll income was RMB1,358,516,000, representing an increase of 29.48% as compared with last year. The Group's revenue amounted to RMB1,317,442,000, representing an increase of 29.63% as compared with last year. Profit attributable to equity holders of the Company increased to RMB487,824,000, representing a 66.55% increase as compared with last year. Earnings per share was RMB0.191 (2006: RMB0.115).

On 19 December 2007, the Company distributed a special dividend (the "Special Dividend") from the accumulated undistributed profits of the Company as at 31 December 2006 to all Shareholders. The Special Dividend was RMB0.04 per share, which amounted to approximately RMB102 million in aggregate. Pursuant to the resolutions passed at the third extraordinary general meeting of 2007, class meeting of the holders of H shares and class meeting of the holders of domestic shares, the Company's accumulated undistributed profits after the distribution of the Special Dividend and distributable profit from 1 January 2007 onwards up to the day prior to completion of the A share issue shall be shared by all new and existing Shareholders of the Company in proportion to shareholding after completion of the A Share Issue. Therefore, the Company will not distribute 2007 final dividend to Shareholders.

BUSINESS REVIEW AND ANALYSIS

The Company is principally engaged in the investment, construction and operation management of expressways.

The Company achieved an admirable progress on operation as well as investment in 2007. The major expressways under the Group recorded a significant growth in terms of traffic flow and toll income. From the perspective of the Group, the overall operation achieved a satisfactory performance. Meanwhile, based on a reasonable level of debt and stable growth in operating results, the Group, according to the given development strategy, consolidate resources in a moderate basis, enlarge the investment scale, with a view to making the Group strong and large.

1. Income from the Group's principal operations

Toll income	**For the year ended 31 December 2007** *(RMB'000)*	**Percentage to total income**	**Increase/ (decrease) as compared with 2006**
Sichuan Expressway Company Limited ("Chengyu Company")	890,289	65.53%	33.77%
Sichuan Expressway Company Limited Chengya Branch ("Chengya Branch")	394,124	29.01%	29.96%
*Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company")	74,103	5.46%	(7.82%)
Total	1,358,516	100.00%	29.48%

* The toll income of Chengbei Company was the total of the toll incomes of Qinglongchang Bridge and Chengbei Exit Expressway.

As the Chengbei Exit Dajian Road Section I ceased to charge toll fee from 30 December 2006, the toll income of Chengbei Company did not contain the toll fee of the said road. If the toll fee of the said road is excluded for comparison, the toll income of Chengbei Company recorded an increase of 8.41% as compared with last year.

2. Operation of major expressways of the Group

The major toll roads operated and managed by the Group include: Sichuan Chengyu Expressway ("Chengyu Expressway"), Sichuan Chengya Expressway ("Chengya Expressway") and Chengdu Chengbei Exit Expressway ("Chengbei Exit Expressway"). Being the major components of the traffic arteries in Sichuan Province, such expressways play a key role in the provincial transportation networks.

Toll roads	Average daily traffic flow *(Number of vehicles)*	Increase year-on-year	Average daily toll income *(RMB)*	Increase year-on-year
Chengyu Expressway	16,220	12.97%	2,439,148	33.77%
Chengya Expressway	12,752	0.57%	1,079,792	29.96%
Chengbei Exit Expressway (including Qinglongchang Bridge)	22,250	7.28%	203,022	8.41%

Chengyu Expressway

In 2007, the traffic flow and toll income of Chengyu Expressway increased significantly by 12.97% and 33.77% respectively. This was mainly due to: (1) the local economy has maintained years of rapid and steady growth, ensuring the steady increase in traffic flow and income, (2) better road condition for Chengyu Expressway which greatly improved capacity of traffic flow as a result of two major repair and maintenance projects for Chengyu Expressway, i.e. the repair and maintenance project for entrance and exit section of Longquanshan Tunnel as well as maintenance for cement road surface of Chenglong section (Chengdu-Longquan) being completed respectively at the end of November 2006 and early February 2007 and reopened traffic, (3) the implementation of weight-based tolling mechanism for cargo vehicles starting from 1 June 2007. Such change in tolling mechanism resulted in a remarkable increase in toll income for Chengyu Expressway, while at the same time reducing overload effectively and protecting road facilities and ensuring traffic safety.

Embarking on 2008, the operating environment of Chengyu Expressway is expected to change to a certain extent, mainly to be exemplified in the increasingly intense competitions between other modes of transportation and transportation routes. Subsequent to the debut of Chengyu intercity express train in May 2006 by the railway department, the more speedy Xianfeng Electric Motor Train Unit (「先鋒號」動車組列車) also commenced operation in July 2007, resulting in certain impact on traffic flow of Chengyu Expressway. However, the most direct impact was from Suiyu (Suining-Chongqing) Expressway which commenced operation on 29 December 2007. It connected with Chengnan (Chengdu-NanChong) Expressway at Suining, forming the Chengsuiyu Expressway (成遂渝高速公路) which links Chengdu and Chongqing and is 45km shorter than Chengyu Expressway, leading to a diversion of direct traffic between Chengdu and Chongqing. For the former, the Company considers that different modes of transportation provide different types of transportation service and they are not complete substitutes. Chengyu Expressways provides door-to-door services with such characteristics as convenient, comfortable and effective, which can not be substituted by other modes of transportation; for the latter, the Company considers that the existence of parallel expressways is an inevitable outcome of the economic growth and ever-increasing transportation needs in Sichuan Province. Amidst the consistent speeding up of the urbanization and industrialization in the regions along Chengyu Expressway, the transportation need for the cities along Chengyu Expressway and between those cities and Chengdu and Chongqing will continue to increase. Moreover, in the long run, when the enhancement of transportation network reaches a certain standard, the scale efficiency brought by the overall network will strengthen its attraction to traffic flow, hence leading to an interactive situation between different expressways. On top of that, considering the continued implementation of the weight-based tolling mechanism and the fact that Chengdu and Chongqing are set as the pilot area for reform on integrated and united overall urban and rural consideration and coordination by the State Council in early June 2007 etc., there will be a positive and far-reaching effect on the operation prospect for Chengyu Expressway. The Company is still confident on the consistent profitability of its core asset Chengyu Expressway.

Chengya Expressway

With the ongoing economic development of western region of Sichuan and the continual escalation of tourism for natural ecology, nationality and custom, toll income of Chengya Expressway has been increasing from year to year, especially since the implementation of new toll rates mechanism effective from 10 April 2006, toll income of Chengya Expressway has surged nearly 30%, which resulted in a great increase in toll income from January to April 2007 as compared with the same period of last year. In addition, the implementation of the weight-based tolling mechanism for cargos from 1 June 2007 led to a remarkable increase in the average daily toll income. Therefore, during the year, toll income of Chengya Expressway remained a strong momentum to the Group with nearly 30% increase. It is anticipated that with the completion and commencement of operation of Chengya Expressway's extensions Yapan (Yaan-Panzhihua) Expressway, Yale (Yaan-Leshan) Expressway and Leyi (Leshan-Yibin) Expressway, which are under construction, Chengya Expressway will increasingly ride on the competitive advantage as a major transportation junction and a golden tourist route in Sichuan province.

Chengbei Exit Expressway

During the year 2007, traffic flow and toll income of Chengbei Exit Expressway also emerged a rising trend. This was mainly attributable to a steady growth in traffic flow driven by the economic development and the implementation of the new toll rate mechanism from 10 April 2006, pursuant to which, the basic charges of Type I and Type II vehicles were increased and basic charges of Type III, IV and V vehicles were reduced. As Type I and Type II vehicles accounted for approximately 80% of the total traffic flow of Chengbei Exit Expressway, Chengbei Exit Expressway is thus benefited from the vehicle type classification and toll adjustment, achieving an approximately 6% increase in toll income from January to April 2007 compared with the corresponding period of last year. Besides, the implementation of the weight-based tolling mechanism for cargos effective from 1 June 2007 led to an increase in the average daily toll income, resulting in an increase of 8.41% in toll income when compared to that of last year.

It is expected that the operation of Chengbei Exit Expressway will face pressure in 2008. In recent years, out of the consideration of economic growth and overall urban planning, local governments have been seeking to improve the planning of regional network. The network of highways in Chengbei region is currently under formation and enhancement. Besides Dajian Road and the three highways linking Chengdu and Xindu, Chengjin (Chengdu-Jintang) Highway has been completed on 31 December 2007 and will soon commence operation. In addition, since 15 December 2007, Cheungdu Municipal Government has implemented a transportation organization plan on the Third Ring Road of Chengdu which links Chengbei Exit Expressway to restrict cargo vehicles to use the Third Ring Road in several phases. The enhancement of transportation network and the implementation of urban transportation organization plan will lead to an adjustment of traffic flow among various expressways with the operation of Chengbei Exit Expressway being affected in a certain period. However, overall speaking, the enhancement in transportation network and organization will help improve the transportation and efficiency of traffic flow, which in turn will better fulfill the need of the regional economic growth. The overall utilization rate of the expressways in the region will be driven by the rapid economic growth, in which Chengbei Exit Expressway will undoubtedly be benefited.

3. Operating results of the Company and its major subsidiaries

Unit: RMB'000

	Toll income	**Operating profit**	**Net profit**
Chengyu Company	890,289	474,809	363,543
Chengya Branch	394,124	192,295	118,609
Chengbei Company	74,103	43,082	22,619

4. Project Investment and Financing

Throughout a decade of development, the Company has been a veteran and becomes professional in such aspects as road investment, construction and operating administration, which brought the Company frequent success in capturing investment opportunities amidst higher and higher level of market economy in the road industry and increasingly fierce market competition. It also exemplified a relatively stronger consolidated competitiveness of a professional road company.

In order to maintain its sustainable development and capability of growth, the Company continued to seek investment opportunities in line with its development strategy in 2007 and proactively expanded its financing channel, optimizing its financing structure, thereby gaining a practical progress.

- ***Intention to issue A shares and use the proceeds raised to acquire the 100% equity interest of Sichuan Chengle Expressway Company Limited ("SC Expressway")***

  The Company had applied for the listing of A shares and acquisition of SC Expressway by using the proceeds raised in 2004, however, as there were disputes in the ownership of the shareholdings of SC Expressway, the Company decided to suspend the acquisition and listing application of A shares. Moreover, the Company had issued an announcement in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In October 2006, the ownership disputes of SC Expressway's shareholding were resolved pursuant to the rulings of China International Economic and Trade Arbitration Commission. Hence, the Company recommenced the A share listing and the acquisition of SC Expressway's shareholding by using proceeds to be raised in 2007. On 26 September 2007, the Company, Sichuan Highway Development Holding Company and Leshan City Xing Yuan Traffic Development Holding Company jointly entered into an agreement to acquire the 100% equity interest of SC Expressway. On 12 December 2007, the above A share listing and project acquisition were considered and approved at the third extraordinary general meeting of 2007, Class Meetings for the holders of H shares and holders of domestic shares respectively. On 19 December 2007, the Company officially filed the application documents regarding the issuance and listing of A shares with China Securities Regulatory Commission.

  Details of the proposed issuance of A shares as well as SC Expressway and Chengle Expressway had already been disclosed in the circular to shareholders issued on 26 October 2007. The Company is optimistic about the business prospect of Chengle Expressway and believes that the acquisition will help the Group further increase asset scale, expand its basis of earnings which are in line with the sustainable development strategy of the Company.

- ***Issue of Short-Term Commercial Papers***

  The Company had successfully issued the first phase of short-term commercial papers amounting to RMB1.5 billion in November 2006 and paid the principal in full in November 2007. The short-term commercial papers issued was used to swap with the long-term bank borrowings of Chengya Branch so as to save the Group from spending approximately RMB35 million interests a year.

  In 2007, the Company decided to apply for issuance of short-term commercial papers again and intended to issue short-term commercial papers with an amount not exceeding RMB2 billion each year, for a period of three years, from the date of passing of the special resolution of issuing short-term commercial papers. The proceeds to be issued will be used to supplement the working capital of the Company so as to reduce the financial cost and optimize financing structure. The financing plan was considered and approved at the Company's second extraordinary general meeting of 2007 on 28 August 2007 and has been approved by the People's Bank of China on 28 January 2008. The Company proposes to issue the short-term commercial papers on 19 February 2008.

5. Other Businesses

This year, the Group's businesses other than toll roads recorded other income and gains of RMB77,733,000, representing an increase of 20.91% as compared with last year.

BUSINESS DEVELOPMENT PLAN

To ensure that the annual target is in line with the long term strategic objective, the Company sets out the following operating strategy and plan for the year, according to its growth cycle and external situation in 2008:

1. Addressing the change in operating environment to various extents for its existing expressway assets, the Group will reinforce the analysis and research in factors including the changing local expressway network and its impacts, vehicle traffic constituents and price elasticity and demand, while timely updating management concepts and framework and launching practicable marketing programmes to optimize service quality for better competitiveness of existing expressways. The Group will leverage the sound communications maintained with governmental bodies, regulators and peers corporations to rationalise the distribution and linkage within local expressway network, or aggressively integrate and improve the distribution of the Group's expressway assets through investment and acquisition, participation in construction, etc., to ensure steady growth of its operating results.

2. The Company will spare efforts in application for A share listing, acquisition of SC Expressway and post work for issuance of short-term commercial papers, aiming at their earlier completion to speed up the Group's asset expansion in a safe and efficient manner.

3. The accelerating pace of the Group's development also calls for better study in financing products, broadening funding channel and optimizing capital structure as well as aligned term structure and interest rate structure for debts, cut down financial costs and maintain a reasonable gearing ratio for effective protection from financial risks.

4. The Group will invest more in preventive maintenance of its expressways through tapping on modern information management resources and introducing innovative measures to improve its expertise for management and maintenance of expressways, thus laying a solid foundation for long-term stable conditions of its expressways.

5. The Group will strengthen building-up, nurturing, reserve and management of human resources. Through implementing and improving incentive mechanism, constraint mechanism, talent fostering and selection mechanism to motivate the staff's enthusiasm and creativity, the Group expects an overall improvement in the staff's professional skills and comprehensive capability to cater for its fast growth.

6. Efforts will be also put in the management of investor relations. Accordingly, the Group will further enhance the transparency of information disclosure, adopt various means to improve communications and interaction with investors, and cultivate a corporate culture respecting and be responsible to the investors, thus establishing a sound and harmonious external environment for corporate development.

7. Through careful investigation and taking into account the development condition of the Company, the Company will timely adjust its existing management framework and modes to enhance its efficiency in execution and innovative ability, paving the way for faster and healthier growth of the Company.

Looking forward, the Company is confident to elaborate its core strengths by focusing on fast building-up of new profit sources for sustainable development under its strategy of engaging in investment, operation and management of expressways. The Company is committed to expand business in line with its development strategy for an overall, healthy and sound growth with desirable results to return all shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

EMPLOYEES, REMUNERATION AND TRAINING

As of 31 December 2007, the Company (including Chengya Branch) has 1,614 employees, of which 381 are professional technical and administrative staff, and 916 are toll collection staff.

1. Employee's Remuneration

Employee's wages compose of fixed wage (which consist of basic salary, and salaries determined by the position and period of service) and performance incentive. Employee's salary is determined based on his position (i.e. the salary changes in accordance with the position of service) and performance as well as the operation efficiency of the Company with reference to the appraisal of employee's overall performance.

The employee's wages and salary of the Company totalled RMB72,008,000 (including the amount of wages for Chengya Branch) for the year ended 31 December 2007.

2. Training to employees

The Company pays much attention to staff training and endeavors to improve the comprehensive quality and professional ability of employees at all levels through multi-level training. During the year, the Company organized various centralized training in respect of skills for the position, continuous training for professional technical staff, corporate culture and international accounting standards, as well as training on specialized topic. A total of 508 employees attended.

CORPORATE GOVERNANCE

1. Code of Corporate Governance Practices ("Code")

During the year, the Board has not set up a Remuneration Committee with specific statutory authority and obligations in accordance with the requirements of relevant provisions of the Code as set out in the Appendix 14 to the Listing Rules. Until now, remunerations of directors, supervisors and members of senior management are determined on the basis of related PRC policies or regulations, the Company's operation and applicable percentage of per capita income of the working population of Chengdu, a city where the Company is situated, and is subject to approval of the general meeting of shareholders. Saved for the above-mentioned, the Company has observed the stipulations of the Code as set out in Appendix 14 to the Listing Rules during the year.

2. Audit Committee

The Audit Committee comprises 3 independent non-executive directors, which are professionals experienced in the finance and transportation industry.

The Audit Committee has reviewed and confirmed the audited results announcement and results report for the year ended 31 December 2007.

3. Model Code for Securities Transactions by Directors and Supervisors

During the year, the Company has adopted a code of behavior not less favourable than the standards as stipulated in Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions carried out by directors. Upon specific enquiries made to all directors, it was confirmed that the directors of the Company have complied with the Model Code in relation to securities transactions of the Directors and the standards of code of behavior as set out in Model Code and there was no violation to the Model Code.

BOOK CLOSURE

The register of members of the Company will be closed from Monday, 17 March 2008 to Thursday, 17 April 2008 (both days inclusive), during which period no transfer of H shares will be registered.

By Order of the Board
Tang Yong
Chairman

Chengdu, Sichuan, the PRC
18 February 2008

At the date of this announcement, the Board of the Company comprises: Mr. Tang Yong (Chairman), Mr. Zhang Zhiying (Vice Chairman and General Manager), Madam Zhang Yang (Vice Chairman), Mr. Gao Chun, Mr. Zhou Liming, Mr. Wang Shuanming, Mr. Liu Mingli, Mr. Nie Xinquan, Madam Luo Xia[#], Mr. Feng Jian[#], Mr. Zhao Zesong[#] and Mr. Xie Bangzhu[#].

The annual report containing all the information required by the Listing Rules will soon be published on the website of the Stock Exchange www.hkex.com.hk.

Independent non-executive director

* *For identification purposes only*