

# Chairman's Statement

## TO ALL SHAREHOLDERS:

In 2000, China economy was extricated from the negative impacts brought by the Asian Financial Crisis, and witnessed a favorable turn. Shenzhen economy continued developing rapidly and healthily. During the year 2000, the Group grew steadily.

## RESULTS AND DIVIDENDS

The Board of Directors of the Company (the "Board") is pleased to announce that the Group has achieved satisfactory results in the fiscal year of 2000, with profit attributable to shareholders amounting to RMB363,074,000, an increase of 7.51% as compared to that of 1999, and earnings per share was RMB0.18, an increase of 7.14% over that of 1999. The Board recommends a final dividend of RMB0.10 per share for the fiscal year of 2000, subject to the approval of the shareholders in the 2000 Annual General Meeting to be held on 6th March 2001.

## BUSINESS REVIEW

### Steady Business Growth

The Group's core business performed well in 2000. The operation of the whole section of Jihe Expressway produced an obvious network effect and Jihe Expressway has entered a high growth stage with its toll revenue increasing month by month. Attributable to the operation of Guanshen Expressway (莞深高速) which connects the northern end of Meiguan Expressway, the traffic volume of Meiguan Expressway has increased remarkably since October 2000. The turnover of the Group for year 2000 amounted to RMB420,455,000, with an increase of 22.92% as compared with 1999. The construction of Section A of Yanba Expressway is progressing smoothly, and Section A of Yanba Expressway is expected to be completed in March 2001. The construction of Section B of Yanba Expressway is expected to start in the second half of 2001. The preliminary feasibility studies for other planned expressways of Shenzhen have been carried out as scheduled.

## **Appropriate Financial Management**

The financial position of the Group has always been sound. By way of strengthening the control and management of internal costs to enhance the margin profit ratio of the Group, it surmounted the negative effect on its overall profit following the full utilisation of the proceeds from the initial public offering of the H Shares and the increase of bank loans to its overall profits. Despite the termination of the business tax refund in 2000 by the State, the Group has improved its capital structure and cut down its financial costs through adjusting funding strategy, obtaining bank loans with lower interest rates by utilising its good reputation and reducing short-term loans. Its financial base has been consolidated accordingly. This creates favorable conditions for its business expansion.

## **Focus on Corporate Governance**

The management of the Group has always dealt with the corporate management issues in a serious manner and made every effort to ensure excellent corporate governance so as to maintain the profit growth of the Group and to realize the benefits of the shareholders. The Group split the roles of the chairman and the general manager in early 2000, and improved its finance and management according to the suggestions brought forth by its management consultant. It has appropriately allotted its management resources and simplified its corporate structure, the authority and responsibility of which have been clearly defined. By promulgating and implementing “Regulation of the General Meeting and Regulation of the Supervisory Committee”, the management system has been further improved.

## **Returns to the Community**

As a listed company, the Group bears extremely important community responsibility. During the past three years, the Group has made great contributions to Shenzhen in improving highway transportation and creating a desirable investment environment while developing its business. The road network established by the Group has provided convenient communications and improved facilities to citizens in Shenzhen, and at the same time helped to boost the economic development of the surrounding areas. The investments of the Group in afforestation and maintenance of its toll roads have improved the environment of the districts, towns and villages along its toll roads, and attracted more investors and greater traffic flow. With the objective of serving the community, this is viewed as a distinctive feature of the Group.

## **PROSPECTS**

### **Business Prospects Remain Optimistic**

China's imminent accession to the World Trade Organization ("WTO"), the consistent policy of the State to increase investments in infrastructure facilities, the ascendant development of logistics industry in Shenzhen, and the continuous increase of Shenzhen's cargo traffic and passenger traffic constitute favorable prospects for the Group's operation of its toll roads. The respective lengths of highways and expressways in Shenzhen are expected to be increased to 2,000 kilometres and 350 kilometres in ten years, which bears great practical significance to the Group given its concession rights to develop highways and expressways in Shenzhen. The strategy to open up the western part of China and the great demands for expressways will also bring ample opportunities for the rapid development of the Group. Thus, the position of the Group in the transportation of Shenzhen and even in the whole country will be further enhanced.

### **The Financial Capabilities to be Further Strengthened**

The Group is preparing for the issue of Renminbi-denominated A Shares to raise necessary funds for its further development, so as to enhance its financial strength. Through developing new sources of funding in the domestic stock market and improving its shareholding structure, it improves the overall competitiveness and abilities of the Group to continuously expand its business.

### **The Corporate Governance to be Further Enhanced**

The success of a company hinges on the level of its corporate governance. The Company is drafting "The Regulation of the Board of Directors" and "The Regulation of the General Manager", which are to be implemented in year 2001, in order to fulfill the development strategies of the Company through highly efficient Board and effective management procedures.

Facing new challenges and opportunities ahead, the Group will continue to strive for excellence, innovation and continuing development while adhering to the principle of prudent financial management in 2001. It will continue focusing on the investment, construction and management of toll roads in Shenzhen, expanding business in areas outside Shenzhen in the PRC, and developing other ancillary activities, so as to maintain its competitive edge.

With its solid foundation, impregnable beliefs, competitive edge and rich expertise in the investment, construction and management of toll roads, the Group will grow and expand continuously.

#### **APPRECIATION**

I, on behalf of the Board, would like to express my gratitude towards the trust and support of all shareholders, to extend my thanks to the staff for their hard work in the past year, and to promise to the existing and new investors that we will work harder to create an even brighter future in the new millennium.

**Chen Chao**  
*Chairman*

Shenzhen, the PRC, 18th January 2001