



# Chairman's Statement

On behalf of the Board of Directors (the "Board") of Yue Da Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2001.

## FINANCIAL HIGHLIGHTS

For the year ended 31st December, 2001, the turnover of the Group was RMB73,797,000, representing a drop of 18% as compared with last year (2000: RMB89,966,000). The audited profits attributable to shareholders were RMB21,792,000, representing a decrease of approximately 12% when compared with last year (2000: RMB24,719,000). The basic earnings per share was about RMB0.15. The Board resolved that there would be no distribution of final dividends for the year ended 31st December, 2001.

## BUSINESS HIGHLIGHTS

In the year under review, the nation-wide construction and development of new highways led to diversion of traffic flows and thus more intense competition in the market. As a result, the Group faced huge challenges in its business. However, with the sustained efforts of the management and staff of the Group and effective cost control measures, the Group managed to maintain a steady progress of its business which realized the goal set by the Group during the listing.

In the year under review, the Chinese Government adopted proactive finance strategies to maintain the continual growth of the national economy. The Wen An Section of National Highway 106 and the Xin Fu Section of National Highway 204, which are under the Group's operation, are located in Hebei Province and Jiangsu Province respectively, two of the most flourishing provinces in economic growth. The two Sections are core highways in their respective cities. However, owing to diversion of traffic flows since the Yihuaijiang Expressway came into operation and the road maintenance works at the Gu An Section of National Highway 106, the traffic volume at both sections declined in the year. In spite of this, cash revenue was still generated steadily.

In the year under review, the management of the Group implemented measures to impose effective cost control on road maintenance expenses and operating costs. The Group adopted proactive strategies to improve the quality of the two highways with the objective of procuring stable development for the business.



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## FUTURE DEVELOPMENT STRATEGIES

Looking ahead, in addition to the development of toll highway business, the Group will accord with market developments to identify development projects of high return and high quality, such as toll bridges, water plants, urban piped gas supply systems, natural gas storage facilities, ports and wharfs. The aim is to expand the business into investments and operation in other infrastructure facilities. With prudent yet proactive business strategies, the Group will strive to strengthen its competitiveness in order to become a major infrastructure operator in China, thereby bringing higher returns to our investors. The Group's future development strategies will cover the following six areas:

### 1. Consolidation of Existing Business

In response to changes in the market as well as the opportunities brought about by China's accession to the World Trade Organization ("WTO"), the Group will actively consolidate its existing business. By providing highways of high quality and good surveillance systems for toll collection, the Group would continue to expand its business. The Group will seek support from local governments and related business partners to implement more stringent management of vehicles in order to bring the highway business of the Group to an advanced level.

### 2. Adjustment of Toll Rates

The management of toll highways is the key to success in order to sustain the market position of the Group under the rapid development of highway business in the PRC. As there is still room for adjustment of toll rates in the existing market, the Group will on one hand strengthen the management of toll collection, while on the other hand, strive to secure the approval of concerned government authorities to make upward adjustment to an acceptable level of toll rates for different types of vehicles so as to be in line with changes in the market, aiming to accelerate the profitability of the Group.

### 3. Cost Control

In the face of the intense competition in the toll highway market, effective cost control measures will definitely be a key factor in improving the Group's profitability. In view of this, the Group will continue to develop new measures and facilities to reduce the cost of road maintenance, which reinforce the cost advantage of the Group. Moreover, the Group will strengthen its internal management through the implementation of operational control measures to improve operating efficiency, which subsequently increase its profit.

### 4. Improvement of Management of Road Maintenance and Repairs

The Group will further strengthen the system of the management of road maintenance and repairs of the two toll roads to improve their maintenance quality as well as the road traffic conditions. At the same time, relevant research and development studies would be carried out to achieve a balance between reduction of road maintenance cost and the provision of quality road traffic conditions.



## 5. Human Resources

In the future, the Group will continue to retain its "people-oriented" corporate culture and to recruit professionals with expertise experience in enterprise management and project investment. At the same time, a systematic training programme will be introduced to establish a professional infrastructure management team to further advance the Group's business.

## 6. Expansion to Other Infrastructure Facilities

To invest and expand its business into other infrastructure facilities is the major direction of the Group's future development. In addition to the operation of toll roads, the Group will develop its existing resources, in accordance with market developments, to look for development projects in infrastructure facilities investment and operation, such as toll bridges, water plants, urban piped gas supply systems, natural gas storage facilities, ports, wharfs, infrastructure facilities related to logistics and other infrastructure projects, with an aim to make the Group's business more competitive.

## TRIBUTES

Finally I would like to take this opportunity to express my sincere gratitude to the Board of Directors, the management team and all our staff and employees for their contributions to the development of the Group. I would also like to thank the shareholders for their support. The Group is committed to put its best efforts to bring substantial returns to the shareholders.

By order of the Board  
Hu You Lin  
Chairman

15th April, 2002, Hong Kong