

MAJOR EVENTS

2002 INTERIM PROFIT DISTRIBUTION SCHEME

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June, 2002, or the transfer to capital reserves.

THE PROFITS DISTRIBUTION OF 2001

The Company's 2001 profit distribution scheme was approved at the 2001 Annual General Meeting held on 31 May, 2002, details of which are: basing on the total shares of 2,180,700,000 issued as at 31 December, 2001, a final dividend of RMB0.10 per share (including tax) was paid to its shareholders (a final dividend of HKD0.0943 was paid to shareholders of H Shares). The total amount of dividends amounted RMB218,070,000. Details of 2001 profits distribution scheme were published on *Hong Kong Economic Times*, *South China Morning Post* (English version), *Shanghai Securities News* and *Securities Times* on 3 June, 2002.

CORPORATE GOVERNANCE

During the Period, the Company has completed its *Self-checked Report on the Establishment of Modern Enterprise System*. From 22 July to 26 July, 2002, the Shenzhen Office of the China Securities Regulatory Commission ("CSRC") examined the Company's corporate governance, information disclosure, the use of the proceeds from the issue of the A Shares and financial treatments. According to the conclusion of the Shenzhen Office of CSRC, the Company's overall operation is properly regulated. At the same time, suggestions for improvements were also made by Shenzhen Office of CSRC. The Company is taking steps to improve its internal system according to the recommendations by the Shenzhen Office of CSRC, with a view to further enhancing the Company's corporate governance.

LITIGATION

In May 1997, the Company acquired 40% of equity interest of Wutongling from Shenzhen Zhongmin Investment Service Company ("Zhongmin Company"). In June 1997, the Company issued a corporate guarantee to secure the credit facilities of USD2.34 million granted to Wutongling and the interest and costs accrued thereon. In July 1997, the Company repaid the credit facilities of RMB18,000,000 for Wutongling, so as to humour its guarantee obligation.

In December 1999, the Company issued a corporate guarantee to secure the credit facilities of RMB25,000,000 granted to Wutongling. In January 2002, the credit facilities of RMB25,000,000 and the interest of RMB195,450 accrued thereon were repaid by the Company to humour its guarantee obligation.

In May 2002, the Company filed a writ to Shenzhen Intermediate People's Court against Wutongling for enforcement of the recovery of RMB43,000,000 plus interests accrued thereon, representing the repayment of the bank loans on behalf of Wutongling. The Company also filed a writ to Shenzhen Intermediate People's Court against Shenzhen Zhongmin Investment Service Company ("Zhongmin Company"), the joint venture partner of Wutongling, in relation to a claim of RMB9,900,000 plus interests accrued thereon, representing the portion of bank loans of Wutongling that was guaranteed by Zhongmin Company, but was repaid by the Company. Upon the request of the Company, Zhongmin Company's 55% equity interests in Wutongling have been frozen by the court. As at the date of the announcement of these interim accounts, the court proceedings of the case has not yet been commenced.

As at 30 June, 2002, the Company has made a provision of RMB9,284,000 for the doubtful debts on such repayables.

GUARANTEED EVENTS

The shareholders of the Company which hold 5% or above of the issued share capital of the Company namely Shenzhen Freeway Development Company Limited and Shenzhen Shengguanghui Highway Development Company agreed in *The Agreement of Promoters on the Establishment of the Company* that they will not in any way be engaged in any sectors or activities which will pose competition to the Company in a direct or indirect way. The Directors consider that the above shareholders are in strict compliance with such promise during the Period.

The Company raised net proceeds of RMB604,128,000 from the issue of A Shares in December 2001, which are expected to be applied to the construction of Yanba B. Such net proceeds are being injected into the project according to its construction progress, as stated in the *Prospectus of the Issue of A Share*.

ACQUISITION, MERGER AND ASSETS RESTRUCTURING

During the Period, the Group had no acquisitions, mergers or assets restructuring.

MAJOR CONNECTED TRANSACTION

During the Period, the Group had not entered into any material connected transactions.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June, 2002, the Company has 1,170 employees, 89 out of whom work at the headquarters of the Company. Their salaries and welfare of employees are linked with their positions and performance.

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The Share Appreciation Right Scheme

The Company implemented the Share Appreciation Right Scheme (the "Scheme"), aiming at linking the benefits of its staff with the interests of shareholders, the Company's performance and its share price, so as to encourage its staff to commit to the long-term success of the Company and to enhance the Company's value and the shareholders' value. The Scheme will be valid for 10 years. The Scheme is managed by the Board of directors of the Company and is carried out by the Human Resources & Remuneration Committee of the Board of the Company.

The rights exercisable under the Scheme for the year 2002 to 2003 amounted to 4,601,250 units. As at 30 June, 2002, rights for which applications for exercise have been amounted to 2,491,200 units. A provision of RMB3,090,000 has been made for such rights proposed to be exercised.

TRAINING OF THE STAFF

The Company emphasizes on the employees' training. The employees' training system has been established and specific training programs have been carried out according to the development of the Company each year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Directors of the Company consider that during the Period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, no shares of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its jointly controlled entities.

AUDIT COMMITTEE

During the Period, the Audit Committee of the Company has convened two meetings, reviewing the Group's 2001 annual report and financial report, the interim report and the condensed unaudited interim accounts for the six months ended 30 June, 2002. It also reviewed the internal controls on the short-term investment of the Company and other issues related to internal control.