

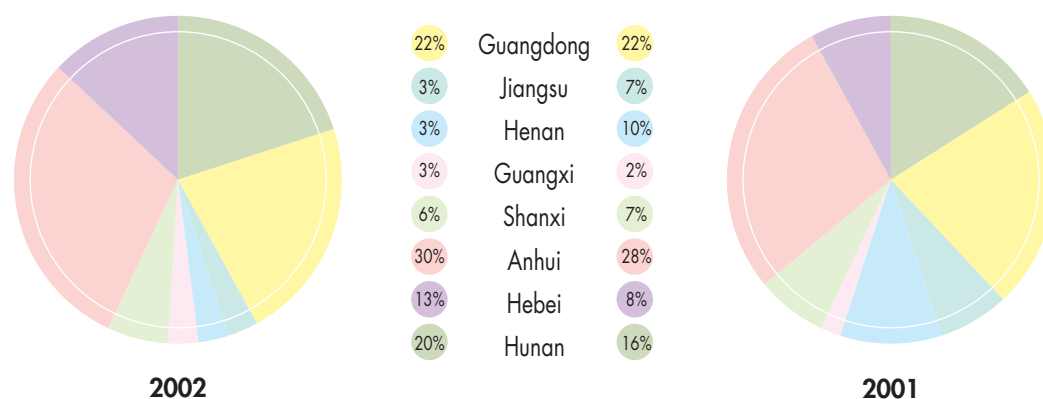


(A) Financial Results

Summary of Consolidated Income Statement

HK\$ million	2002	2001	% changes
Turnover: Group and share of infrastructure joint ventures			
Toll revenue	748	733	+2%
Minimum income undertakings	45	137	-67%
Sales of goods	80	76	+5%
	873	946	-8%
Less: Share of infrastructure joint ventures' toll revenue	(709)	(701)	+1%
Turnover: Group	164	245	-33%
Net income recognised in respect of goodwill and negative goodwill	21	19	+11%
Gain on disposal of interests in infrastructure joint ventures	–	34	N/A
Other income	20	18	+11%
Cost of inventories sold	(72)	(64)	+13%
Allowance for doubtful receivables	(25)	(126)	-80%
Operating expenses	(95)	(117)	-19%
Share of operating profit of joint ventures	417	399	+5%
Operating profit: Group and share of joint ventures	430	408	+5%
Finance costs	(81)	(111)	-27%
Profit before taxation	349	297	+18%
Taxation	(30)	(56)	-46%
Minority interests	(6)	–	N/A
Profit for the year	313	241	+30%
Weighted average number of issued shares	513,769,004	506,014,065	+ 2%
Basic earnings per share	HK\$0.55	HK\$0.40	+37%
Dividend per share in respect of current year	HK24 cents	HK15.8 cents	+52%
HK\$ million			
Dividend in respect of current year			
Interim dividend	82	35	+134%
Proposed final dividend	41	45	-9%
Dividend on convertible preference shares	33	39	-15%

Profit Contribution by Geographic Region



Group's share of toll revenue

Toll revenue increased by 2% mainly attributable to the increase in total traffic and toll rates in certain projects. Excluding the impact of the disposal of Jieyang Highway Network project in September 2001 and some of the Group's projects being in their second stage of income distribution where the joint venture partners are entitled to a higher income and toll revenue sharing ratio, the Group's toll revenue had increased by 15% as compared to 2001.

Minimum income undertakings

The decrease was mainly due to the fact that some of the Group's projects had already reached the stage to recover their original investment amounts and, therefore, the provision of minimum income undertakings for some projects had been expired.

Sales of goods

The amount mainly represented sales of goods from the North American ginseng business.

Net income recognised in respect of goodwill and negative goodwill

The amount mainly represented the amortisation of negative goodwill arising from the acquisition of 62% shareholding of Chai-Na-Ta Corp. The negative goodwill is being recognised as income over three years which is the weighted average useful life of the non-monetary assets.

Other income

Other income mainly consisted of interest income.

Allowance for doubtful receivables

An allowance of HK\$25 million was made in respect of the outstanding receivables in relation to the minimum income undertakings due from the PRC joint venture partners of Luochong Highway project.



Operating expenses

The decrease of operating expenses was mainly attributable to the Group's disposal of its non-core Chinese medicine business, together with the effective cost saving plan of the ginseng business.

Share of operating profit of joint ventures

Share of joint ventures' operating profit increased by 5% mainly attributable to the increase of total traffic and toll rates in some of the Group's projects but was offset by the fact that some projects had reached their second stage of preferential income distribution where the PRC joint venture partners were entitled to have a higher income sharing ratio. Also, the Group would no longer share the profit from the Jieyang Highway Network project after its disposal in September 2001. Excluding the dual effects, share of operating results of joint ventures would increase by 22%.

Finance costs

Finance costs mainly represented interest of transferable loan certificate, guaranteed notes less interest income on repurchased portion and other finance costs in association with the financing exercise during the year. The decrease in finance costs was mainly attributable to the refinancing exercise and gradual repayment of existing debts.

Taxation

Taxation mainly represented share of PRC income tax attributable to the PRC infrastructure joint ventures and a deferred tax provision arising from timing differences between depreciation policy for toll highway operation rights adopted by the Group and the PRC infrastructure joint ventures. The substantial drop of deferred taxation was due to the narrow-down of cumulative timing differences arising from the different policies adopted.

(B) Cash Flow

Summary of Consolidated Cash Flow Statement

HK\$ million	2002	2001	Changes
Net cash from operating activities	66	40	26
Net cash from investing activities	371	995	(624)
Net cash used in financing activities	(300)	(412)	112
Increase in cash and bank balances	137	623	(486)

Net cash from operating activities was mainly attributable to decrease of debtors, deposits and prepayments by HK\$50 million and decrease of inventories and ginseng crops by HK\$29 million but offset by the decrease of creditors and accrued charges by HK\$3 million in the current year.

Net cash from investing activities mainly comprised repayment of shareholder loans from joint ventures of HK\$296 million (last year: HK\$298 million), dividends received from joint ventures of HK\$153 million (last year: HK\$140 million), proceeds from disposal of investment in securities of HK\$51 million (last year: Nil) and purchases of securities of HK\$90 million (last year: Nil), loans to joint ventures of HK\$39 million (last year: HK\$38 million) and additional investments in joint ventures of HK\$35 million (last year: HK\$4 million).

Net cash used in financing activities principally consisted of dividend payment of HK\$160 million (last year: HK\$110 million), repayment of transferable loan certificate of HK\$98 million (last year: HK\$768 million), interest payment of HK\$72 million (last year: HK\$107 million) and new loans raised of HK\$33 million (last year: HK\$581 million).



Capital Expenditure Commitments

As at the end of 2002, the Group's outstanding contracted capital commitments in respect of toll road projects were as follows:

	HK\$ million
Within one year	3
In the second to fifth year inclusive	–
After the fifth year	42
	<hr/> 45

The commitments will be funded by the Group's working capital.

Contingent Liabilities

As at the end of 2002, the Group had the following contingent liabilities:

	HK\$ million
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	<hr/> 117

(C) Financial Position

Summary of Consolidated Balance Sheet

HK\$ million	2002	2001	Changes
ASSETS			
Property, plant and equipment	52	57	-5
Interests in joint ventures	3,962	3,955	+7
Other non-current assets	254	285	-31
Current assets	1,458	1,329	+129
Total assets	5,726	5,626	+100
LIABILITIES			
Current liabilities	259	158	+101
Long-term liabilities	945	1,099	-154
Minority interests	82	81	+1
Total liabilities	1,286	1,338	-52
CAPITAL			
Shareholders' funds	4,440	4,288	+152

Property, plant and equipment mainly comprised the fixed assets of subsidiaries including Zhongshan Qijiang Highway Company Limited and Chai-Na-Ta Corp.

Interests in joint ventures increased to HK\$3,962 million mainly due to the additional investments in a project during the year.

Other non-current assets mainly comprised toll highway operation right, goodwill, negative goodwill, debtors due after one year and charged deposits.

Current assets mainly comprised bank balances and cash, charged deposits, receivables, inventories and ginseng crops. As at 31 December 2002, bank balances, cash and charged deposits aggregated to HK\$1,088 million (last year: HK\$925 million).

Current liabilities mainly comprised HK\$196 million of the short-term portion of the secured loans (last year: HK\$99 million) and HK\$26 million (last year: HK\$24 million) of interest payables.

Non-current liabilities comprised the long term portion of the Group's secured loans and guaranteed notes of HK\$945 million (last year: 1,099 million).

The increase in **shareholders' funds** was attributable to the change of the retained profit, adjusted for cancellation of repurchased shares during the year.



Capital Structure

HK\$ million	2002	2001
Shareholders' funds	4,440	4,288
Secured loans	1,141	1,199
Total capital employed	5,581	5,487
Gearing ratio	26%	28%

The reduction of the Group's gearing ratio from 28% to 26% was mainly attributable to the repayment of the transferable loan certificate of HK\$98 million. The Group's net gearing ratio had then decreased to 1% (last year: 5%).

Interest Coverage

HK\$ million	2002	2001
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	552	536
Finance costs	81	111
Interest coverage	6.8 times	4.8 times