



The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2002.

Principal Activities

The Company acts as an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the People's Republic of China ("PRC") and details of which are set out in notes 18 and 19 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 44.

An interim dividend of HK16 cents per share amounting to HK\$82,496,000 was paid to the shareholders on 15 August 2002. The convertible preference shares dividend of HK\$32,550,000 was paid during the year.

The directors recommend the payment of a final dividend of HK8 cents per share to the shareholders on the register of members on 12 May 2003 amounting to HK\$41,248,000.

Share Capital, Share Options and Warrants

Details of the movements during the year in the share capital, share options, and warrants of the Company are set out in notes 26, 27 and 28 to the financial statements respectively.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 29 to the financial statements.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

Connected Transactions

- (a) On 11 September 2000, a revolving credit agreement (the "Revolving Credit Agreement") was entered into between More Growth Finance Limited ("More Growth"), an indirectly wholly owned subsidiary of the Company, and Chai-Na-Ta Corp. ("CNT"), a 62% owned subsidiary of the Company.

Pursuant to the Revolving Credit Agreement, More Growth agreed to provide C\$5 million (approximately HK\$25,000,000) unsecured revolving credit bearing interest at the Canadian prime rate plus 2.5% per annum. Following maturity in March 2001, this facility was further extended until March 2003. For each extension More Growth charged an extension fee equal to 1% of the commitment amount. The purpose of the facility was to provide general working capital to CNT.

During the year, CNT has repaid C\$2 million to More Growth. Subsequent to the balance sheet date, CNT has fully settled C\$3 million of principal and the balance of accrued interest due to More Growth as of 12 March 2003.

The above transaction was structured on normal commercial terms and was approved by the Board of Directors of the Company.



Connected Transactions (Continued)

(b) On 16 April 2002, the Company entered into the sale and purchase agreement (the “Agreement”) with an executive director of the Company relating to the disposal of the entire equity interest in CNT Life Sciences, Inc., at the consideration of HK\$5,280,000, out of which HK\$2,640,000 had been paid to the Company at completion. Completion took place on 16 April 2002 immediately after the signing of the Agreement. The balance of HK\$2,640,000 with interest was paid to the Company on 31 December 2002. The details of the transaction were disclosed in the Company’s announcement dated 17 April 2002.

Directors and Directors’ Service Contracts

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Zen Wei Pao, William (*Chairman*)

Ko Yuk Bing (*Managing Director and Chief Executive Officer*)

Chan Kam Hung (*Finance Director*) (appointed on 23 July 2002)

Zen Wei Peu, Derek

Fong Shiu Leung, Keter

Chui Chi Keung, Raymond (resigned on 23 July 2002)

Non-executive directors:

Brian Souter

Cheng Wai Po, Samuel (alternate to Brian Souter)

Ross Thomas Martin (appointed on 27 August 2002)

Martin Andrew Griffiths (ceased to act as alternate to Keith Robertson Cochrane on 27 August 2002 and appointed on 27 August 2002 as alternate to Ross Thomas Martin)

James Herbert Stewart

Chiang Wen Chee, Wendy (alternate to James Herbert Stewart)

Keith Robertson Cochrane (resigned on 27 August 2002)

Wu Chang, Tom (appointed on 29 January 2002 and resigned on 14 January 2003)

Bharat Parashar (appointed on 29 January 2002 as alternate to Wu Chang, Tom and ceased to act as his alternate on 14 January 2003)

Independent non-executive directors:

Chan Hing Chiu, Vincent

Chow Shiu Kee, Stephen

In accordance with Bye-laws 86 and 87 of the Company’s Bye-laws, Chan Kam Hung, Fong Shiu Leung, Keter, Ross Thomas Martin, Chan Hing Chiu, Vincent and Chow Shiu Kee, Stephen shall retire by rotation and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Directors and Directors' Service Contracts (Continued)

Each of the executive directors, except Chan Kam Hung and Fong Shiu Leung, Keter, entered into a service contract with the Company for a term of three years commencing from 1 May 2000.

Chan Kam Hung and Fong Shiu Leung, Keter entered into service contracts with the Company subsequent to their appointments. The service contracts with Chan Kam Hung are for a term of three years commencing from 1 September 2002. The service contract with Fong Shiu Leung, Keter is for a term of three years commencing from 25 July 2000.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Securities

At 31 December 2002, the interests of the directors and their associates in the equity securities of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Interests in shares

1. The Company

Name of director	Class of shares held	Number of shares held under personal interests
Zen Wei Peu, Derek	Ordinary	1,206,645

2. Associated corporation

Name of director	Name of Company	Class of shares held	Number of shares held under personal interests
Wu Chang, Tom	Chai-Na-Ta Corp.	Common	500



Directors' Interests in Securities (Continued)

Interests in warrants

Name of director	Number of warrants held under personal interests
Zen Wei Peu, Derek	241,329

Interests in options

The Company has a share option scheme under which directors and employees of the Company and any of its subsidiaries may be granted options to subscribe for shares in the Company. Details of the share option scheme and a summary of the movement of options granted during the year are set out in note 27 to the financial statements.

A summary of the movement during the year in share options granted is as follows:

Name	Date granted	Vesting period	Exercisable period	Exercise price	Number of share options				
					Balance at 1.1.2002	Granted during the year	Exercised during the year	Expired/cancelled during the year	Balance at 31.12.2002
HK\$									
Directors									
Zen Wei Pao, William	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	719,000	–	–	(719,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	550,000	–	–	(550,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	2,900,000	–	–	–	2,900,000
Ko Yuk Bing	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	719,000	–	–	(719,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	500,000	–	–	(500,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	2,600,000	–	–	–	2,600,000
Zen Wei Peu, Derek	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	539,000	–	–	(539,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	250,000	–	–	(250,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	1,500,000	–	–	–	1,500,000
Fong Shiu Leung, Keter	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	320,000	–	–	–	320,000

Directors' Interests in Securities (Continued)

Name	Date granted	Vesting period	Exercisable period	Exercise price	Number of share options				
					Balance at 1.1.2002	Granted during the year	Exercised during the year	Expired/cancelled during the year	Balance at 31.12.2002
				HK\$					
Brian Souter	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	100,000	–	–	(100,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	190,000	–	–	–	190,000
Chan Hing Chiu, Vincent	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	143,000	–	–	(143,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	100,000	–	–	(100,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	320,000	–	–	–	320,000
Chow Shiu Kee, Stephen	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	143,000	–	–	(143,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	100,000	–	–	(100,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	320,000	–	–	–	320,000
Chui Chi Keung, Raymond	27 November 2000	2 years	27 November 2001 to 26 November 2003	3.20	200,000	–	–	–	200,000
Keith Robertson Cochrane	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	100,000	–	–	(100,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	190,000	–	–	(190,000)	–
					12,503,000	–	–	(4,153,000)	8,350,000
Others									
Employees	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	170,000	–	–	(170,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	675,000	–	–	(675,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	2,795,000	–	–	(390,000)	2,405,000
					3,640,000	–	–	(1,235,000)	2,405,000
					16,143,000	–	–	(5,388,000)	10,755,000



Directors' Interests in Securities (Continued)

Other than disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Other than disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 31 December 2002, neither the directors nor their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Arrangements to Acquire Shares or Debentures

Other than the share option scheme as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company as at 31 December 2002:

Name	Number of ordinary shares
ZWP Investments Limited	187,066,766
Wai Kee China Investments Company Limited (<i>Note 1</i>)	187,066,766
Wai Kee China Investments (BVI) Company Limited (<i>Note 2</i>)	187,066,766
Groove Trading Limited	66,000,000
Wai Kee (Zens) Holding Limited (<i>Note 3</i>)	253,066,766
Wai Kee Holdings Limited (<i>Note 4</i>)	253,066,766
Dietmar Limited	129,788,536
SGC (HK Holdings) Limited (<i>Note 5</i>)	129,788,536
SGC (HK Group) Limited (<i>Note 6</i>)	129,788,536
Stagecoach Asia Limited (<i>Note 7</i>)	129,788,536
Stagecoach Group PLC (<i>Note 8</i>)	129,788,536

Substantial Shareholders (Continued)

Notes:

1. ZWP Investments Limited is a wholly owned subsidiary of Wai Kee China Investments Company Limited (“Wai Kee China Investments”). By virtue of the SDI Ordinance, Wai Kee China Investments was deemed to be interested in the shares of the Company.
2. Wai Kee China Investments (BVI) Company Limited (“Wai Kee China BVI”) beneficially owned all the issued ordinary shares in the capital of Wai Kee China Investments. By virtue of the SDI Ordinance, Wai Kee China BVI was deemed to be interested in the shares of the Company.
3. Wai Kee (Zens) Holding Limited (“Wai Kee (Zens)”) beneficially owned all the issued ordinary shares in the capital of Wai Kee China BVI and Groove Trading Limited. By virtue of the SDI Ordinance, Wai Kee (Zens) was deemed to be interested in the shares of the Company.
4. Wai Kee Holdings Limited (“Wai Kee Holdings”) beneficially owned all the issued ordinary shares in the capital of Wai Kee (Zens). By virtue of the SDI Ordinance, Wai Kee Holdings was deemed to be interested in the shares of the Company.
5. Dietmar Limited is a wholly-owned subsidiary of SGC (HK Holdings) Limited (“SGC”). By virtue of the SDI Ordinance, SGC was deemed to be interested in the shares of the Company.
6. SGC is a wholly-owned subsidiary of SGC (HK Group) Limited (“SGC Group”). By virtue of the SDI Ordinance, SGC Group was deemed to be interested in the shares of the Company.
7. SGC Group is a wholly-owned subsidiary of Stagecoach Asia Limited (“Stagecoach Asia”). By virtue of the SDI Ordinance, Stagecoach Asia was deemed to be interested in the shares of the Company.
8. Stagecoach Asia is a wholly-owned subsidiary of Stagecoach Group PLC (“Stagecoach”). By virtue of the SDI Ordinance, Stagecoach was deemed to be interested in the shares of the Company.

Purchase, Sale or Redemption of the Company’s Listed Securities and Secured Loans

During the year, the Company repurchased certain of its own shares, details of which are set out in note 26 to the financial statements. The directors considered that, as the Company’s shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2002.

Details of the repurchase of certain secured loans are set out in note 30 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company’s Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Major Customers and Suppliers

The principal business of the Group is to invest in, develop, operate and manage toll roads and expressways in the PRC. There are no major customers and suppliers in view of the nature of the Group’s business.



Code of Best Practice

The Company has complied throughout the year ended 31 December 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Audit Committee

Pursuant to the requirements of the Listing Rules, the Company had on 30 July 1998 established an Audit Committee comprising three members (two of them being independent non-executive directors) with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

Practice Note 19 to the Listing Rules

In compliance with Practice Note 19 to the Listing Rules, the following information is disclosed:

1. Pursuant to part 3.3 of the Practice Note 19:

- (a) All the Group's investments in highway projects are structured in the form of Sino-foreign co-operative joint ventures. Except for one joint venture, all the remaining 33 joint ventures are regarded as infrastructure joint ventures irrespective of whether the interests exceed 50% or not. The investments are in the form of both registered capital and loans. The size of loans made by the Group and by the other joint venture partner(s) to each joint venture is in proportion to the respective interests in each joint venture.
- (b) During the year, the Group has provided guarantees of HK\$117 million to banks in respect of bank facilities utilised by infrastructure joint ventures.
- (c) The total amount of loans to the infrastructure joint ventures is HK\$2.54 billion which exceeds 57% of the Group's net assets as at 31 December 2002. The loans are actually part of the investments and are unsecured, interest free and have no definite repayment terms.
- (d) The loans to the infrastructure joint ventures were funded by equities raised at the listing of the Company or by borrowings or internal resources of the Group.

Practice Note 19 to the Listing Rules (Continued)

PRC Infrastructure Joint Ventures	% of interest held indirectly by the Company	Loan to joint venture HK\$'000	Outstanding loan to be injected HK\$'000
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	34,303	–
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited	60%	75,663	–
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited	60%	67,252	–
Anhui Road Universe Liuan Highway Development Co., Ltd.	50%	5,235	–
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	60%	34,630	2,622
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	60%	78,083	–
Bengbu Road King Huaimeng Highway Development Co., Ltd.	60%	57,201	–
Foshan Guangsan Special-Use Automobile Highway Co., Ltd.	35%	198,144	–
Guangxi Hengjing Highway Development Co., Ltd.	70%	61,513	18,384
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	15,793
Handan Rongguang Highway Development Co., Ltd.	70%	79,223	–
Handan Xinguang Highway Development Co., Ltd.	70%	80,474	–
Hunan Changyi (Baining) Expressway Co., Ltd.	43.17%	58,635	–
Hunan Changyi (Cangyi) Expressway Co., Ltd.	43.17%	59,832	–
Hunan Changyi (Changbai) Expressway Co., Ltd.	43.17%	59,567	–
Hunan Changyi (Hengchang) Expressway Co., Ltd.	43.17%	61,465	–
Hunan Changyi (Ningheng) Expressway Co., Ltd.	43.17%	59,510	–
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.	43.17%	47,346	–
Liuan Road Universe Liuye Highway Development Co., Ltd.	50%	23,546	–
Liuan Road Universe Pihe Bridge Development Co., Ltd.	50%	18,736	–
Luodingshi Luochong Highway Company Limited	61%	135,785	–
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	72,087	–
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd.	50%	59,025	–
Shanxi Lutong Dongguan Highway Co., Ltd.	65%	99,693	–
Shanxi Lutong Taigu Highway Co., Ltd.	60%	76,080	–
Shanxi Lutong Taiyu Highway Co., Ltd.	65%	75,938	–
Shanxi Lutong Xiaodian Fenhe Highway Bridge Co., Ltd.	25%	7,646	–
Shanxi Lutong Yuci Highway Co., Ltd.	65%	60,460	–
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd.	45%	377,028	–
Shijiazhuang Luhui Road & Bridge Development Co., Ltd.	60%	85,462	–
Shijiazhuang Luxin Road & Bridge Development Co., Ltd.	60%	48,443	–
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd.	50%	120,874	–
Wujin Road King Changcao Highway Development Co., Ltd.	60.24%	83,945	–
		2,544,624	36,799
		2,544,624	36,799



Practice Note 19 to the Listing Rules (Continued)

2. Pursuant to part 3.7.1 of Practice Note 19:

The Group has a transferable loan certificate with an outstanding amount of about US\$62.5 million (HK\$487,500,000). The facility will mature on 2 February 2004. Under the facility agreement, the single largest shareholder of the Company is required to maintain directly or indirectly not less than thirty-five per cent (35%) of each class of the issued voting share capital of the Company throughout the continuance of the facility.

3. Pursuant to part 3.10 of Practice Note 19:

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2002, is as follows:

Balance sheet	2002 HK\$'000
Property, plant and equipment	7,382,083
Other assets	39
Current assets	230,241
Current liabilities	(295,349)
Net current liabilities	(65,108)
Amounts due to joint venture partners	(2,767,240)
Net assets	4,549,774

Details of the Group's attributable interests in the infrastructure joint ventures are set out in note 19 to the financial statements.

4. Save as disclosed above, there is no other disclosure required to be made by the Company pursuant to Practice Note 19.

Donations

During the year, the Group made charitable and other donations amounting to HK\$912,000.

Auditors

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the Board

Zen Wei Pao, William

CHAIRMAN

Hong Kong, 27 March 2003