



Mr. Hu You Lin
Chairman

On behalf of the Board of Directors (the "Board") of Yue Da Holdings Limited (the "Company"), I hereby present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2002.

FINANCIAL HIGHLIGHTS

For the year ended 31st December, 2002, the turnover of the Group was RMB69,802,000, representing a drop of about 5% as compared with the same period last year. The audited profits attributable to shareholders were approximately RMB10,180,000, representing a decrease of approximately 53% when compared with last year. The basic earnings per share were RMB5.1 cents. The Board recommended the payment of a final dividend of Hong Kong currency 2 cents per share for the year ended 31st December, 2002.

BUSINESS HIGHLIGHTS

In the year under review, the nation-wide construction and development of new highways led to diversion of traffic flows and thus put the Group's operation in huge challenges amid intense market competition. However, with the sustained efforts of the management and staff of the Group and effective cost control measures, we managed to maintain a steady progress of its business.

The Chinese Government adopted proactive finance policies to maintain the continual growth of the national economy in the year under review. The Wen An Section of National Highway 106 and the Xin Fu Section of National Highway 204 operated by the Group are located in Hebei Province and Jiangsu Province respectively, two of the most flourishing provinces in economic growth, and they are the core highways in their respective cities. However, owing to the diversion of traffic flows from National Highway 204 to the nearby Yihuaijiang Expressway and the relocation of certain toll stations along National Highway 106 by the Hebei provincial government, the Wen An Toll Station under the Group was relocated. It resulted in a decrease in the toll rates for both highways as compared with the same period last year but cash revenue was still generated steadily.



FUTURE DEVELOPMENT STRATEGIES

Looking ahead, we are optimistic about the business prospects for the year of 2003. The impact on National Highway 204 brought about by the operation of Yihuaijiang Expressway has fully materialized and become stable. Along with the completion of the relocation of toll station, the adverse impact on the traffic volume of National Highway 106 has almost vanished. According to the statistics provided by National Bureau of Statistics of China, the number of limousines manufactured and sold in the nation in 2002 was 1,062,400 and 1,058,000 respectively, representing an increase of 52.8% and 50% as compared with last year. The sales of automobile in January, 2003 followed the surging trend of last year with 327,100 automobiles produced and 323,200 sold, representing a growth of 61.31% and 77.69%, respectively for the corresponding period. The surge in automobile ownership will inevitably increase the traffic volume and, in particular, benefit National Highway 106 and National Highway 204, which are located at the fast growing regions. As such, the Group will continue to invest selectively in or acquire highway projects with promising prospects and explore new impetus for profit growth. In addition to the development of toll highway business, the Group will accord with market developments to identify infrastructure projects with high return and steady operation, such as power plants, water plants, urban piped gas supply systems, natural gas storage facilities, ports and wharfs. The aim is to expand the business actively into other infrastructure facilities and operation projects. With prudent yet proactive business strategies, the Group will strive to strengthen its competitiveness in order to become a leading 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, the Group will actively consolidate its existing business. By providing highways of high quality and comprehensive surveillance systems for toll collection, the Group will continue to expand its business. As for the relocation of the Wen An Toll Station, the Group will actively liaise with the government to seek compensation for the impact of the relocation, which may include an extension of the toll collection expiry date. The Group will also seek support from local governments and related business partners to implement more stringent management of toll collection so as to bring the highway business of the Group to a higher level.

2. Adjustment of Toll Rates

Toll management is the key to sustain the market position of the Group in the flourishing highway business in the PRC. As there is still room for adjustment of toll rates in the existing market, the Group will on the one hand strengthen the management of toll collection, while on the other hand, strive to secure the approval of relevant government authorities to increase toll rates within restricted range 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

Given 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 and introduce new measures and facilities to reduce the cost of road maintenance, so as to reinforce the cost advantage of the Group. Meanwhile, the Group will strengthen its internal management to lower the operation management cost, which in turn will improve operating efficiency as well as the group's profit.

4. Improvement of Management of Road Maintenance and Repairs

The Group will further strengthen the management system of maintenance and repairs of its highways to improve their maintenance quality as well as the road traffic conditions. At the same time, relevant technical research will be carried out to achieve a balance between reduction of road maintenance and repairs management 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 fields. In the meantime, a systematic training programmes will be implemented to establish a professional project investment and management team to secure the successful business development of the Group in the future.

6. Expansion to Other Infrastructure Facilities

Investment in and development of infrastructure facilities is the prescribed direction of the Group. In addition to the operation of toll roads, the Group will optimise the allocation of its existing resources, track market developments, seek for infrastructure projects with value-adding potential, such as power plants, water plants, urban piped gas supply systems, natural gas storage facilities, ports, wharfs and other logistics-related infrastructure projects, with an aim to enhance the competitiveness of the Group's business.

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 for their continuing 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
Yue Da Holdings Limited
Hu You Lin
Chairman

Hong Kong, 16th April, 2003