

## FINANCIAL HIGHLIGHTS

For the year ended 31st December, 2002, the turnover of the Group was RMB69,802,000, representing a decrease of approximately 5% from RMB73,797,000 for the previous year. The audited profit attributable to shareholders was RMB10,180,000, representing a decrease of approximately 53% from RMB21,792,000 for the previous year, and the basic earnings per share was RMB5.1 cents, representing a decrease of approximately 66% from RMB15.0 cents for the previous year. The cash on hand was RMB69,561,000, representing an increase of approximately 8% from RMB64,233,000 for the previous year.

### Dividend

The Board of Directors recommended the payment of a final dividend of Hong Kong currency 2 cents per ordinary share for the year ended 31st December, 2002 to the shareholders whose names appear on the register of members of the Company on 23rd May, 2003. Subject to the approval on the forthcoming annual general meeting, the proposed dividend will be distributed among the shareholders on or before 30th June, 2003. The register of members of the Company will be closed from 20th May, 2003 to 23rd May, 2003 (both dates inclusive) during which no share transfer will be registered.

### Business Review

#### *Overview*

The results of the Group for the period under review experienced a reduction when compared with the corresponding period for the previous year. This was the result of an increase in administrative expenses after the listing of the Company, and a decrease in operating and other revenues of the Group. Following the Company's listing on the Main Board of the Stock Exchange of Hong Kong on 29th November, 2001, administrative expenses for the Group in 2002 were RMB12,256,000, representing an increase of approximately one time compared with the previous year's figure of RMB6,170,000. During this period, traffic flow on the Wen An Section of National Highway 106 dropped. Combined with the drop in other revenues in respect of Yancheng Tongda, it resulted in a reduction in both the turnover and operating profit for the Group when compared to the previous year. However, with the national economy of China continuing to grow and demand for cars steadily rising, it is believed that road traffic will experience a corresponding increase. Combined with concerted efforts from the management, staff and workers and the effective implementation of cost control measures, the Group's business will experience steady growth in the future.



*National Highway 204 — the Xin Fu Section in Jiangsu Province*

Jiangsu Province experienced steady economic growth throughout 2002. According to preliminary statistics, the Province's GDP during the year amounted to RMB1,063.6 billion, representing a 11.6% increase compared with the previous year, with a rise by 1.4% in the growth rate for last year. Jiangsu's total economic output accounted for 10.4% of the national GDP. The total length of highways in the province was 60,141 kilometers, and the length of new roads built during the year was 1,275 kilometers.

During the period under review, the annual average daily traffic ("AADT") on the Xin Fu Section amounted to 11,874 vehicles. This figure represents an approximate 1% reduction compared with 12,033 vehicles in the previous year. The amount of toll receipts was RMB33,684,000, roughly the same as RMB33,631,000 for the previous year. As Jiangsu Province's economic performance may accelerate while transport industry continues to grow steadily, it is anticipated that there will be a gradual rise in the traffic volume along the Xin Fu Section.



*National Highway 106 — the Wen An Section in Hebei Province*

Hebei experienced a period of relatively rapid economic growth during 2002, generating a GDP of RMB607.7 billion which represented an increase of roughly 9.6% over the previous year. The development of the transport industry in Hebei accelerated and the aggregate lengths of its total accessible roads in the Province grew to 63,000 kilometers, a 0.7 % increase over the previous year.

The turnover of the Group is largely made up of toll receipts from the Xin Fu section and Wen An section of the Highway network. During the period under review, the operating revenues of these two sections were RMB33,684,000 and RMB36,118,000 respectively, representing 48% and 52% of the aggregate turnover in the sum of RMB69,802,000.

During the period under review, the Wen An Section experienced a drop in traffic. Its AADT was 11,263 vehicles, representing a decrease of approximately 7% compared with 12,102 vehicles in the previous year. Toll receipts for this period were RMB36,118,000, a reduction of around 10% compared with RMB40,166,000 for the previous year. This shortfall was largely due to the relocation of toll stations and the resultant diversion of traffic to peripheral roads in the neighbourhood. Looking ahead, the steady growth of Hebei Province's GDP and the continued development of the transport industry would ensure that traffic along the Wen An Section would resume growth in the future.

#### *Toll Collection System*

Computer-aided toll collection system for the Wen An toll station came into use in 1998. Such system assisted toll collectors to identify different types of vehicles for toll determination purpose. The toll station's computer-aided toll collection system and closed circuit cameras are supervised by a nearby control post which maintains 24-hour surveillance of all vehicles and toll collection booths and stations in order to ensure accurate daily toll collection. The manual toll collection systems at the Xinxing and Shizhuang toll stations on the Xin Fu Section were both replaced by computer-aided toll systems during the period, further enhancing service quality along the Xin Fu Section as a whole. The Group has already established independent internal audit teams at each section to closely monitor the proper implementation of the toll collection systems.

During the period under review, no adjustment has been made in respect of the toll fees in respect of Xin Fu Section and Wen An Section.

#### *Repairs, maintenance and supporting facilities*

During the period under review, regular repair and maintenance work was carried out in both the Wen An and the Xin Fu Sections. The companies in charge of these respective operations were the Langfang Municipal Communications Bureau and Yancheng Xinfu Highway Company Limited. No major maintenance work was done at either section.

## PROSPECTS

Up to 31st December, 2002, because of changes to the toll collection model of the Chongqing Sino-Portuguese Bridge Company Limited, no agreement had been reached in respect of the Chongqing Sino-Portuguese acquisition project. Accordingly, the net proceeds of approximately RMB36,680,000 from the share offer in 2001 have been placed in a Hong Kong bank.

Over the course of the year, the management devoted considerable efforts and resources in contacting, studying and researching a number of infrastructure investment projects that are relevant to the Group's future business plans. Certain key projects have now been selected for follow up. As for the relocation of the Wen An Toll Station, the Group will actively liaise with the local government to seek compensation for the impact of the relocation, which may include an extension of the toll collection expiry date. Looking ahead, the Group plans to continue strengthening its core highway business. At the same time the Group intends to identify additional new infrastructure investment projects, such as power plants and ports which will enable the Group to develop a diversified infrastructure investment portfolio. The Group will continue to safeguard its shareholders' interests and generate higher returns for its investors under a proactive yet prudent business development strategy.



The Group's ultimate holding company, Jiangsu Yue Da has also participated in the investment in, and management and operation of, infrastructure facilities. Consequently, the future offers possibilities for collaboration between the Group and Jiangsu Yue Da in the investment in and management and operation of infrastructure facilities. With the full support of Jiangsu Yue Da, the Group will continue to recruit qualified personnel and professional expertise it needs to pursue infrastructure and public utility projects that offer outstanding potential and high value for the future. Building on the foundation of its toll highway business, the Group is striving to become a key infrastructure operator in China. The Company remains committed to further enhancing its competitiveness in the key areas of business development and securing higher returns for its investors.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31st December, 2002, the Group's current assets were RMB70,048,000 (2001: RMB65,733,000) at the balance sheet date, of which RMB69,561,000 (2001: RMB64,233,000) were cash on hand. The total net assets of the Group amounted to RMB287,420,000, representing approximately a 4% increase compared with RMB277,240,000 in the corresponding period of 2001. The gearing ratio (total liabilities/total assets) of the Group was 22% (2001: 26%).

As at the balance sheet date, the share capital of the Group remained the same as the previous year at RMB21,000,000. The Group had a reserve of RMB266,420,000 (2001: RMB256,240,000) and total current liabilities of RMB33,859,000 (2001: RMB40,799,000), of which short-term bank loans amounted to RMB15,000,000 (2001: RMB15,000,000). The total non-current liabilities were RMB72,765,000 (2001: RMB90,148,000) comprising other long-term borrowings of RMB65,339,000 (2001: RMB79,523,000). Included in total liabilities were shareholders' loans of RMB29,579,000 (2001: RMB43,698,000) which carried interest at 7.488% per annum (2001: 11.7% per annum).

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars, Renminbi and US dollars. As Hong Kong dollars is pegged to the United States dollars, and there is no significant fluctuation in the exchange rate between Hong Kong dollars and Renminbi, the Group believes that the risk of exposure to exchange rate is minimal.

#### **Contingent Liabilities and Charge on the Group's Assets**

As at 31st December, 2002, the Company had no outstanding guarantee or pledge other than an existing guarantee for RMB15,000,000 in respect of a bank loan made to one of its subsidiaries.

#### **STAFF AND REMUNERATION POLICIES**

As of 31st December, 2002, the Group had a total of 295 full-time staff in the PRC and Hong Kong to carry out management, administration and toll collection duties. The management reviewed the remuneration policy regularly on the basis of staff performance and experience, as well as the prevailing practice in the industry. Contributions were made by the Group for its PRC staff in accordance with the relevant regulations in the PRC. Meanwhile an insurance scheme and mandatory provident fund scheme were maintained for its Hong Kong staff. During the period under review, the Group provided various training programs on the relevant business and skills to its management members and staff at all levels. The Group had not experienced any major difficulties in recruitment, nor had it experienced any material loss in manpower or any labour dispute.

#### **REPURCHASE, SALE AND REDEMPTION OF THE SHARES OF THE COMPANY**

As of 31st December, 2002, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any shares of the Company.

#### **THE CODE OF BEST PRACTICE**

The board of directors consider that the Company was in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange during the period.

#### **AUDIT COMMITTEE**

An audit committee was formed by two independent non-executive directors to review, inter alia, matters related to auditing practices, including financial reporting and internal control, so as to protect the interests of shareholders. A meeting of the committee was held on 15th April, 2003 to review the financial statements and connected transactions of the Group.