

The directors present their annual report and the audited financial statements for the year ended 31st December, 2002.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries are the management and operation of highways in the People's Republic of China.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 24.

The directors recommend the payment of a final dividend of Hong Kong currency 0.02 per share to the shareholders on the register of members on 23rd May, 2003, amounting to HK\$4,000,000 (equivalent to approximately RMB4,200,000) on the assumption that the number of ordinary shares in issue as at such date remains to be 200 million as at the date of bulk-printing of this annual report, and the retention of the remaining profit for the year of RMB5,980,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Company and of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Company and of the Group are set out in note 24 to the financial statements and in the consolidated statement of changes in equity on page 27.

The Company's reserves available for distribution represent the share premium and contributed surplus net of accumulated losses with an aggregate amount of RMB239,115,000.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Hu You Lin (*Chairman*)
Mr. Shi Jun (*Managing Director*)
Mr. Liu Bing (*Deputy Managing Director*)
Mr. Lu Wei Dong, David (*Assistant to the Managing Director*)
Mr. Dong Li Yong

Non-executive director:

Mr. Yao Hong

Independent non-executive directors:

Mr. Cai Chuan Bing
Ms. Yu Chor Woon, Carol

In accordance with Article 108(A) of the Company's Articles of Association, Mr. Hu You Lin, being the chairman of the Company and Mr. Shi Jun, being the managing director of the Company, are not required to retire by rotation and Mr. Dong Li Yong and Mr. Cai Chuan Bing retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each of the non-executive director and the independent non-executive directors is the period up to his/her retirement by rotation as required by the Company's Articles of Association.

Each of the executive directors has entered into a service contract with the Company for an initial fixed term of three years, commencing 1st November, 2001, which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2002, none of the directors had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the then prevailing Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 25 to the financial statements. No share option was granted during the year or was outstanding under the scheme at the end of the year. The total number of shares in respect of which option may be granted under the scheme and any other share option scheme of the Group is not permitted to exceed 10% of the shares of the Company in issue at any point of time (representing 20 million shares of the 200 million shares in issue as at the date of this report), without prior approval from the Company's shareholders.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its subsidiaries, its holding company or any subsidiaries of its holding company 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

As at 31st December, 2002, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that, the following persons had an interest of 10% or more in the share capital of the Company:

Name	Number of shares	Percentage of shareholding
Yue Da Group (H.K.) Co., Limited	140,000,000	70%
Jiangsu Yue Da Group Company Limited (<i>Note</i>)	140,000,000	70%

Note: Jiangsu Yue Da Group Company Limited beneficially owns 100% of Yue Da Group (H.K.) Co., Limited and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Yue Da Group (H.K.) Co., Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2002.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its subsidiaries, its holding company or any subsidiaries of its holding company 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.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year and balances with the connected persons as at 31st December, 2002 are set out as below.

	RMB'000
Yue Da Enterprise Group (H.K.) Company Limited, a fellow subsidiary of the Company Rentals paid on land and buildings by the Group (<i>note a</i>)	784
Yancheng Haiyue Hotel, an associate of ultimate holding company Rentals paid on land and buildings by the Group (<i>note a</i>)	500
Langfang Transport and Highway Engineering Company Limited, a joint venture partner of a subsidiary of the Company Interest charged to the Group (<i>note b</i>) Other payable by the Group (<i>note e</i>) Long term advance to the Group (<i>note f</i>) Unsecured long-term borrowings to the Group (<i>note g</i>)	3,263 1,407 6,079 29,579
Langfang Municipal Communications Bureau, an affiliated company of Langfang Transport and Highway Engineering Company Limited Repair and maintenance charges paid by the Group (<i>note c</i>) Other payable by the Group (<i>note e</i>)	2,889 1,376
Yancheng Xinfu Highway Company Limited, a joint venture partner of a subsidiary of the Company Maintenance charges paid by the Group (<i>note d</i>) Unsecured long-term borrowings to the Group (<i>note f</i>)	1,422 43,560
Langfang Tongda Highway Co., Ltd., a non-wholly owned subsidiary of the Company Interest charged by another member of the Group (<i>note b</i>) Other payable to another member of the Group (<i>note h</i>) Unsecured long-term borrowings from another member of the Group (<i>note g</i>)	3,416 9,002 37,521
Yancheng Tongda Highway Co., Ltd., a non-wholly owned subsidiary of the Company Other payable by another member of the Group (<i>note e</i>) Guarantees given by the Company (<i>note i</i>)	7,372 15,000

CONNECTED TRANSACTIONS (continued)*Notes:*

- (a) The rentals were charged in accordance with the relevant tenancy agreement.
- (b) The interest was charged at 7.488% per annum on the outstanding principal.
- (c) The repair and maintenance charges in respect of the relevant toll highway were charged at 8% of the total amount of gross toll collected.
- (d) The maintenance charges in respect of the relevant toll highway were RMB20,000 per kilometre each year starting from 1997, with annual increment of RMB2,000 per kilometre.
- (e) The amount is unsecured, interest-free and has no fixed repayment terms.
- (f) The loan is unsecured, interest-free and is repayable in accordance with the terms of the relevant agreement.
- (g) The loan is unsecured, carries interest at 7.488% per annum and is repayable in accordance with the terms of the relevant agreement.
- (h) The amount is unsecured and has no fixed repayment terms. Other than an amount of RMB902,000 which is interest-free, the remaining balance carries interest at 7.488% per annum.
- (i) As at 31st December, 2002, the Company had given guarantees amounting to RMB15 million to certain banks in respect of bank loans granted to Yancheng Tongda Highway Co., Ltd., which is 66.67% indirectly owned by the Company.

In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable to the Group than terms available to or from (as the case may be) independent third parties;
- (iii) in accordance with the terms of the agreements for the transactions or if there are not such agreements, on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (iv) within the relevant annual cap amounts as agreed with The Stock Exchange of Hong Kong Limited; and
- (v) that the terms of repayment of the principal amount under, and the payment of interest arising from, the relevant financial assistance arrangements were not varied or breached by the relevant members of the Group or the connected persons of the Company.

Other than as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's toll revenue and purchases were attributable to the Group's five largest customers and suppliers.

RETIREMENT BENEFITS SCHEME

Information on the retirement benefits scheme of the Group is set out in notes 6 and 26 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB10,000.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

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

On behalf of the Board

Mr. Hu You Lin

CHAIRMAN

Hong Kong, 16th April, 2003