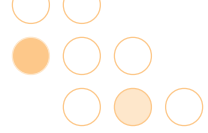


BUSINESS REVIEW

SUMMARY INFORMATION ON OPERATING TOLL ROADS AND BRIDGES IN 2003

	Length (km)	Width (lanes)	Attributable interest (per cent)	Road type	Average daily toll traffic volume (vehicle)	Weighted average toll fare per vehicle (Rmb)
Subsidiaries						
Guangshen Highway	23.1	6	80.00	Class I highway	33,937	6.15
Guangshan Highway	64.0	4	80.00	Class II highway	31,432	10.36
Guangcong Highway Section I	33.3	6	80.00	Class I highway	18,456	13.02
Guangcong Highway Section II & Provincial Highway 1909	33.1	6	51.00	Class I highway	19,695	7.91
	33.3	4	51.00	Class I highway		
Guanghua Highway	20.0	6	55.0	Class I highway	9,911	7.93
Xian Expressway	20.1	4	100.0	Expressway	17,244	11.41
Xiang Jiang Bridge II	1.8	4	75.00	Rigid frame bridge	4,438	10.36
Associated Companies and Jointly Controlled Entity						
Humen Bridge	15.8	6	25.0	Suspension bridge	34,829	39.62
Northern Ring Road	22.0	6	24.30	Expressway	117,836	11.01
Qinglian Highways						
National Highway 107	253.0	2	23.63	Class II highway	24,648	20.93
Highway between Qingyuan and Lianzhou cities	215.2	4	23.63	Class I highway		
Shantou Bay Bridge	6.5	6	30.00	Suspension bridge	12,344	31.65
GNSR Expressway	42.4	6	46.00	Expressway	12,423	24.19



Performance of Subsidiaries

Guangshen Highway Guangzhou Section (“Guangshen Highway”)

Guangshen Highway is a section of National Highway 107 and is one of the major roads connecting Guangzhou Municipality and Shenzhen City.

Traffic volume of Guangshen Highway rebounded significantly when the adjacent Guang Yuan Road East in Guangzhou Municipality started charging toll in late 2002 and its diversion effect to Guangshen Highway was eased. There was also increased purchases of small passenger cars by families in Guangzhou. Average daily toll traffic volume of Guangshen Highway in 2003 was 33,937 vehicles, representing an increase of 295.3 per cent and 44.4 per cent when compared with those of 2002 and 2001 respectively. Small vehicles accounted for a higher portion of the traffic mix. Owing to the outbreak of SARS in the first half of 2003, the number of trucks had also reduced. As a result, weighted average toll fare per vehicle for the year declined by 5.6 per cent from that of 2002 to Rmb6.15.

Guangshan Highway Guangzhou Section (“Guangshan Highway”)

Guangshan Highway is a section of National Highway 324 and is the major road connecting Guangzhou Municipality and Shantou City.

Due to natural growth in traffic flow, average daily toll traffic volume of the two toll stations on Guangshan Highway picked up gradually by 8.3 per cent to 31,432 vehicles in 2003 compared with that of 2002. Weighted average toll fare per vehicle for the year of Rmb10.36 was similar to that of 2002.

Guangcong Highway connecting Tai Ping Chang and Wenquan (“Guangcong Highway Section II”) & Provincial Highway 1909

Guangcong Highway Section II connects inter-provincial traffic between Guangdong Province and eastern provinces such as Jiangxi and intra-municipality traffic between Guangzhou City and Conghua City, the northeastern Guangzhou, where a hot spring resort is located. Provincial Highway 1909 connects inter-provincial traffic between Guangdong and Hunan Provinces.

In 2003, average daily toll traffic volume of Guangcong Highway Section II & Provincial Highway 1909 declined by 29.0 per cent to 19,695 vehicles compared with that of 2002. This was attributable to traffic diversion by a recently completed section of Jing Zhu Expressway which was opened to traffic. Weighted average toll fare per vehicle for 2003 was Rmb7.91, representing a decrease of 2.8 per cent compared with that of 2002.



Guangshen Highway



Guangcong Highway Section I

Guangcong Highway connecting Guangzhou Institute of Foreign Language and Tai Ping Chang (“Guangcong Highway Section I”)

Guangcong Highway Section I is a section of National Highway 105 between Guangzhou City and Conghua City in the northeast where a hot spring resort is located. Guangcong Highway Section I mainly connects inter-provincial traffic between Guangdong Province and eastern provinces such as Jiangxi. It is also the main access from Guangzhou City to Conghua City in the suburban area.

As additional traffic was brought to Guangzhou by a section of Jing Zhu Expressway which was completed and opened to traffic recently, average daily toll traffic volume of Guangcong Highway Section I upsurged by 16.8 per cent to 18,456 vehicles in 2003 compared with that of 2002. Weighted average toll fare per vehicle for the year was Rmb13.02, representing an increase of 3.9 per cent compared with that of 2002.

Guanghua Highway

Guanghua Highway is the major highway connecting the urban area of Guangzhou City and the suburb of Huadu City, where the new Guangzhou International Airport is located.

Due to natural growth in traffic flow, average daily toll traffic volume of Guanghua Highway grew healthily by 9.3 per cent to 9,911 vehicles in 2003 compared with that of 2002. Weighted average toll fare per vehicle for the year was Rmb7.93, representing an increase of 0.8 per cent compared with that of 2002.

Xian Expressway in Shaanxi Province (“Xian Expressway”)

Xian Expressway is an expressway connecting Xian City and Lintong County where the world famous historical relic Terra-Cotta Warriors is located.

Average daily toll traffic volume of Xian Expressway decreased by 2.6 per cent in 2003 to 17,244 vehicles due to outbreak of SARS and reduction of tourist volume. Weighted average toll fare per vehicle for the year of Rmb11.41 was similar to that of 2002.



Xiang Jiang Bridge II in Xiang Tan City of Hunan Province (“Xiang Jiang Bridge II”)

Xiang Jiang Bridge II is located in Xiang Tan City of Hunan Province. It is part of National Highway 107 linking the northern and southern banks of Xiang Jiang. The bridge primarily connects inter-provincial traffic between Guangdong Province and Hunan Province.

As maintenance works had been carried out along Changsha to Xiang Tan section of Jing Zhu Expressway since May 2003, more trucks travelled through Xiang Jiang Bridge II. Average daily toll traffic volume of Xiang Jiang Bridge II in 2003 increased by 10.2 per cent to 4,438 vehicles compared with that of 2002. Weighted average toll fare per vehicle for the year increased by 7.3 per cent compared with that of 2002 to Rmb10.36.

Performance of Associated Companies and Jointly Controlled Entity

Humen Bridge

Humen Bridge is an expressway with a six-lane suspension bridge linking Panyu District of Guangzhou Municipality and Dongguan City both located in the heart of the Pearl River Delta. Its two ends are connected to the Guangzhou Shenzhen Expressway and Guangzhou Zhuhai Eastern Expressway.

Average daily toll traffic volume of Humen Bridge in 2003 continued to grow healthily by 15.0 per cent to 34,829 vehicles compared with that of 2002 due to continuous rapid traffic growth of the Pearl River Delta Region. After the implementation of unified vehicle classification standards on 1 October 2003, the weighted average toll fare for two months between November and December increased by 16.1 per cent compared with the corresponding period in 2002. Weighted average toll fare per vehicle for the year was Rmb39.62, representing an increase of 4.3 per cent compared with that of 2002.



Humen Bridge connecting the eastern and the western side of the Pearl River Delta



GNSR Expressway

Guangzhou City Northern Ring Road (“Northern Ring Road”)

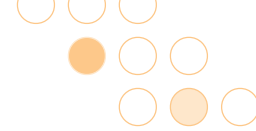
The Northern Ring Road located in Guangzhou City links the Guangzhou Foshan Expressway in the west and the Guangzhou Shenzhen Expressway in the east.

With the outbreak of SARS, average daily toll traffic volume of the Northern Ring Road in 2003 decreased by 1.9 per cent to 117,836 vehicles compared with that of 2002. After the implementation of unified vehicle classification standards since 15 August, the weighted average toll fare for four months between September to December increased by 17.6 per cent compared with the corresponding period in 2002. Weighted average toll fare per vehicle for the year increased by 10.1 per cent compared with that of 2002 to Rmb11.01.

Qinglian Highways

Qinglian Highways located in the northwestern part of Guangdong Province connect Guangdong Province and Hunan Province.

Average daily toll traffic volume of the nine toll stations on Qinglian Highways in 2003 was 24,648 vehicles and decreased by 23.0 per cent from that of 2002 due to the traffic diversion by a section of Jing Zhu Expressway recently completed and opened to traffic. Weighted average toll fare per vehicle for the year was Rmb20.93, representing a drop of 15.5 per cent compared with that of 2002.



Guangzhou Northern Second Ring Expressway (“GNSR Expressway”)

The six-lane 42.4 km GNSR Expressway has nine intersections and nine toll stations. It connects eleven provincial, national highways and expressways in the north of Guangzhou Municipality. GNSR Expressway was completed and opened to traffic on schedule, and commenced toll collection in January 2002.

Expansion of the neighbouring expressway network boosted the average daily toll traffic volume of GNSR Expressway in 2003 by 79.9 per cent to 12,423 vehicles. As small passenger vehicles accounted for a higher portion of traffic mix of GNSR Expressway, weighted average toll fare per vehicle for the year decreased by 10.2 per cent from that of 2002 to Rmb24.19. It is expected that when Jing Zhu Expressway connecting GNSR Expressway and Guangwei Expressway opens to traffic at the end of the year and the new Guangzhou International Airport commences operation in June 2004, traffic flow of GNSR Expressway will grow substantially.

Shantou Bay Bridge

Shantou Bay Bridge is a six-lane bridge located in the strategic Shantou Harbour Huangsha Bay Sea Route. It connects the eastern entrance of Shantou Harbour linking Powai and Muishan Expressways in the east and Shenshan Expressway in the west. It has a total length of approximately 6.5 km and has started operation since December 1995. The Group completed the acquisition of Shantou Bay Bridge in July 2002 which contributed twelve months earnings to the Group in 2003.

Average daily traffic volume in 2003 increased by 4.6 per cent to 12,344 vehicles compared with 2002 due to natural traffic growth. After the implementation of unified vehicle classification standards since 1 July, the weighted average toll fare for six months from July to December increased by 9.3 per cent compared with the corresponding period in 2002. The weighted average toll fare per vehicle for the year increased by 4.2 per cent compared with that of 2002 to Rmb31.65.

New Investment Projects

As an aggressive toll road investor and operator, the Group will continue investing selectively in quality toll road and bridge projects. The Group is considering to invest in expressway projects located in the centre of the Pearl River Delta such as the Eastern Second Ring Road, the Western Second Ring Road and the Guangming Expressway (Eastern Second Ring Road Extension Line). Currently, contracts of the respective joint ventures of these three projects are being studied. Total investment amounts of these three projects by all parties are approximately Rmb8.5 billion. The equity portion accounts for 35 per cent of total investment and the remaining 65 per cent will be financed by project loans from banks in China.

The Group is considering to acquire an approximately 30 per cent interest in each of the above projects with an estimated total investment of approximately Rmb900 million. Annual capital injection to these projects to be made by the Group is estimated to be around Rmb225 million from 2004 to 2007. The Group will finance these projects by its abundant operating cash flow and some of its foreign currency loan.



Shantou Bay Bridge

FINANCIAL REVIEW

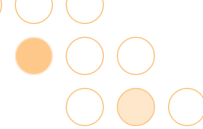
Analysis of Results

In spite of traffic performance being dragged down by the outbreak of SARS in the first half of 2003, full year turnover increased by 14.0 per cent to HK\$405.6 million due to strong recovery in the second half. With the exception of Xian Expressway, Guangcong Highway Section II & Provincial Highway 1909, all the other major subsidiary toll roads and bridges of the Group showed satisfactory performance in 2003. For example, Guangshen and Guangshan Highways both recovered substantially due to easing of traffic diversion from other new roads.

In the second half of 2003, new accounting policy in respect of amortisation of interests in toll roads and bridges was adopted. It is considered more appropriate to reflect the performance of the Group in line with industry practice. The effect of the change was taken up retrospectively by prior year adjustments. The additional amortisation resulted from the adoption of the revised accounting policy was HK\$18.1 million for 2003 and HK\$19.7 million for 2002.

Apart from additional repair and maintenance expenses amounted to approximately HK\$3.8 million incurred by a toll bridge in 2003, maintenance expenses of the other toll roads and bridges increased in line with turnover growth.

Administrative expenses incurred during 2003 increased by 21.4 per cent to HK\$38.8 million due to the full year amortisation of goodwill from the acquisition of 30.0 per cent stake of Shantou Bay Bridge in July 2002 and increase in provision of directors' discretionary bonus.



Net other operating expenses of HK\$9.3 million in 2003 included a HK\$2.1 million exchange loss arising from translating monetary assets and liabilities expressed in foreign currencies. In 2002, the Group recorded net other operating expenses of HK\$0.38 million which included a disposal gain of HK\$6.2 million and HK\$1.9 million exchange gain arising from foreign currencies transactions.

Finance costs declined by 33.4 per cent to HK\$24.3 million for 2003 as the Group continued repaying its bank borrowings and debts.

Although contribution from Qinglian Highways in 2003 recorded a negative growth of 82.2 per cent due to traffic diversion by a recently completed section of Jing Zhu Expressway, all the other associated companies recorded positive growth in contributions to the Group in 2003. A full year contribution from Shantou Bay Bridge acquired in July 2002 was also recorded in 2003. As a result, share of profits from associated companies for 2003 increased strongly by 20.9 per cent to HK\$182.2 million.

The share of loss of the Group's jointly controlled entity, Guangzhou Northern Second Ring Expressway Co., Limited, narrowed down by 43.3 per cent to HK\$20.4 million in 2003 as traffic volume rose tremendously by 79.9 per cent.

Taxation for 2003 amounted to HK\$61.1 million, which was greater than 2002 by HK\$29.2 million as a result of higher level of profit before taxation.

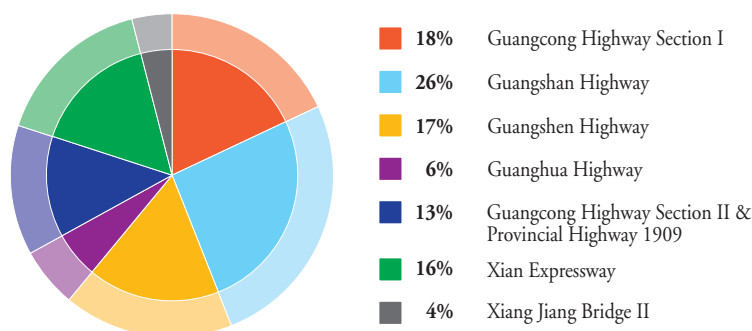
Minority interest for 2003 increased only by 5.4 per cent because overall profit growth of major subsidiary toll roads and bridges was partially off-set by the negative growth of Guangcong Highway Section II & Provincial Highway 1909.

For the year ended 31st December 2003, the Group's profit attributable to shareholders grew by 57.1 per cent to HK\$223.8 million as compared to the restated amount of HK\$142.5 million for 2002 and the basic earnings per share were HK\$0.207 and HK\$0.136 (restated) respectively.

Final Dividend

The Directors recommended the payment of final dividend of HK\$0.045 (2002: HK\$0.03) per share to shareholders whose names appeared on the register of members of the Company on 2nd June 2004. Subject to the approval of shareholders at the Annual General Meeting to be held on 2nd June 2004, the final dividend will be paid on 8th June 2004. Together with the interim dividend of HK\$0.04 (2002: HK\$0.03) per share, total dividends for the year ended 31st December 2003 will amount to HK\$0.085 (2002: HK\$0.06) per share, representing a dividend pay out ratio of 42.15 per cent.

BREAKDOWN OF TURNOVER BY PROJECTS



Liquidity and Financial Resources

Cash flows and borrowings

Net cash inflow generated from operations during 2003 amounted to approximately HK\$324.3 million due to higher profits (2002 : HK\$264.9 million). Interest paid during 2003 was HK\$24.1 million (2002: HK\$39.5 million) as a result of repayments of bank borrowings. Overseas taxation paid in China during 2003 amounted to HK\$31.7 million (2002: HK\$23.6 million).

Investing activities in 2003 had generated net cash inflow amounted to HK\$142.3 million (2002 : net cash outflow HK\$336.1 million) being made up of total cash inflow of HK\$172.3 million (2002 : HK\$139.8 million) less total cash used of HK\$30.0 million (2002: HK\$475.9 million). Total cash inflow from investing activities largely included dividends received and shareholders' loan repayment from associated companies amounted to HK\$150.2 million (2002: HK\$100.7 million). Total cash used mainly were capital expenditures and investments.

Net cash used in financing activities in 2003 amounted to HK\$357.2 million (2002: HK\$387.6 million) with total cash inflow of HK\$65.7 million (2002: HK\$136.0 million) and total cash used of HK\$422.9 million (2002: HK\$523.6 million). During 2003, cash inflow from financing activities mainly included new bank loans of approximately HK\$9.4 million (2002: HK\$130.8 million) and proceeds from issuance of new shares through exercise of share options amounted to HK\$56.3 million (2002: HK\$4.7 million). Total cash used in financing activities during 2003 mainly were repayments of bank loans in aggregate of approximately HK\$259.9 million (2002: HK\$425.5 million); dividends payment of HK\$76.9 million (2002: HK\$57.6 million); and repayments to minority shareholders of approximately HK\$86.0 million (2002: HK\$40.6 million).

As at 31st December 2003, the Group had bank balances and cash of approximately HK\$251.7 million which increased by 17.0 per cent compared with 31st December 2002. The charged account included in the 2002 bank balances and cash of HK\$17.8 million was fully released in August 2003 when the Group's HIBOR based HK dollars floating rate loan was fully prepaid.

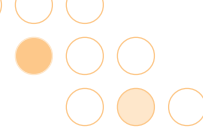
The outstanding bank borrowings of the Group as at 31st December 2003 amounted to approximately HK\$345.5 million, which declined by 41.8 per cent compared with that as at 31st December 2002.

The maturity profile of outstanding bank borrowings as at 31 December 2003 are shown below:

Bank borrowings (wholly in Rmb loans)

	HK\$'000
Repayable:	
within one year	189,671
in the second to fifth year	155,868
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Total	345,539
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The HK dollars bank borrowing of HK\$136.0 million as at 31st December 2002 was fully prepaid and Rmb bank borrowings were reduced to approximately HK\$345.5 million from HK\$457.9 million as at 31st December 2002. Thus, bank borrowings as at 31st December 2003 were wholly in Rmb denomination (2002: 22.9 per cent in HK dollars and 77.1 per cent in Rmb). Approximately 54.9 per cent of the total bank borrowings as at 31st December 2003 mature within one year. As at 31st December 2002, approximately 81.8 per cent of the total bank borrowings were repayable within one year in which 94.3 per cent were Rmb loans. In the past years when a higher percentage of the total bank borrowings was repayable within one year, it was in the opinion of the management that upon maturity of the short term Rmb bank borrowings, they are confident from past practice to obtain further



extension of two to three years based on the Group's credit standing with its major bankers in China. Although management considered that liquidity risk in past years was insignificant coupled with the steady inflow of HK dollars and US dollars funds repatriated from the Group's subsidiaries and associated companies in China; nevertheless, to further strengthen the financial position of the Group in the short to medium term, an aggregate of Rmb200 million loans originally falling due in the second half of 2003 were converted to long term bank loans in June 2003.

In order to utilize the internally generated surplus funds to an optimum extent, the Group chose to fully prepay its HK dollars bank borrowing of HK\$123.25 million in August 2003 and partially prepaid Rmb bank borrowings of Rmb132.0 million (equivalent to approximately HK\$123.9 million) during 2003.

Capital expenditures and investments

During 2003, the Group had capital expenditures and investments amounted to approximately HK\$30.0 million, of which approximately HK\$11.2 million were improvement costs of toll roads and bridges; approximately HK\$9.3 million was additional capital injection to an existing other investment; and approximately HK\$9.5 million was purchase of fixed assets. There were no significant acquisitions in 2003

Capital Structure

The Group's capital structure as at 31st December 2003 is summarized below:

	2003			2002 as restated		
	HK\$'000	%	Average rate of interest (% per annum)	HK\$'000	%	Average rate of interest (% per annum)
Floating rate loans (Rmb)	345,539	9.2	5.1	457,944	12.1	5.3
Floating rate loan (HIBOR)	—	—	—	136,000	3.6	4.0
Amount due to a minority shareholder	53,719	1.4	4.0	53,468	1.4	4.0
Interest free loans	36,377	1.0	—	37,591	1.0	—
Total debts	435,635	11.6		685,003	18.1	
Shareholders' funds	3,310,406	88.4		3,097,526	81.9	
Total capitalisation	3,746,041	100.0		3,782,529	100.0	
Gearing Ratio	11.6%			18.1%		

Total capitalisation of the Group as at 31st December 2003 amounted to approximately HK\$3.7 billion which was slightly below the total capitalisation amount as at 31st December 2002.

As at 31st December 2003, the ratio of total debts to total capitalisation (Gearing Ratio) was 11.6 per cent as compared to 18.1 per cent as at 31st December 2002. Total debts declined by HK\$249.4 million to HK\$435.6 million in 2003.

Floating rate loans in Rmb accounted for 79.3 per cent of the total debts as at 31st December 2003 (2002: 66.9 per cent). During 2003, the Group had drawn down new loan of Rmb10.0 million (approximately HK\$9.4 million) and repaid Rmb132.0 million (approximately HK\$123.9 million) from the Group's internal funds. All Rmb loans are unsecured.

The HIBOR based HK dollars floating rate loan of HK\$123.25 million was wholly prepaid on 14 August, 2003 from the Group's internal funds.

The amount due to a minority shareholder which represented part of the capital injection into a jointly controlled entity in 2001 is denominated in Rmb and unsecured.

The interest free loans are non-interest bearing loans from the minority shareholders of a subsidiary which are denominated in Rmb. During 2003, Rmb1.8 million (approximately HK\$1.7 million) was repaid.

As at 31st December 2003, shareholders' funds amounted to approximately HK\$3.31 billion which accounted for 88.4 per cent of the Group's total capitalisation. As at 31st December 2002, the restated shareholders' funds amounted to approximately HK\$3.10 billion being 81.9 per cent of the Group's total capitalisation. The increase in shareholders' funds mainly represented the profit retained for the year after appropriation of 2002 final dividend and 2003 interim dividend.

Interest Coverage

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation (including amortisation) and provisions for impairment loss ("EBITDA") to interest expenses. For the year ended 31st December 2003, interest coverage was 19 times (2002: 11 times) due to increase in EBITDA and decline in interest expenses.

Treasury Policies

The Group continues to adopt the following treasury policies and hedging strategy similar to those disclosed in the 2002 annual report.

The Group's overall treasury and funding policy is that of risk management and liquidity control. The Group will maintain banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by these two markets. Bank balances are generally placed in short term fixed rate deposits in bank accounts in Hong Kong and China. No fund is placed in non-bank institutions or invested in securities.

Since the Group's principal operations are in China and most of the income is denominated in Rmb, the management is aware of possible currency exchange risk exposure. The Group's hedging strategy is to use as much as practicable re-invested profits and debt financing denominated in Rmb to match with the Rmb capital expenditure requirements. Equity and debt financing denominated in foreign currency will be used selectively as supplementary funds.

Capital Commitments and Contingent Liabilities

There were no material capital commitments as at 31st December 2003. There were no significant contingent liabilities since the year ended 31st December 2002.

Employees

As at 31st December 2003, the Group had approximately 280 employees of which 218 were directly engaging in the supervision and management of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which awards its employees according to the performance of the Group and individual employees.