

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2002, the following shareholders held 10% or more of the share capital of the Company according to the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance"):

Name	Number of shares	Percentage
Zhejiang Communications Investment Group Co., Ltd.	2,432,500,000 (domestic shares)	56.01
Huajian Transportation Economic Development Center	476,760,000 (domestic shares)	10.98
HKSCC Nominees Limited	1,409,650,499 (H shares)	32.46

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

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

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

TRUST DEPOSITS

As at December 31, 2002, other than the deposits of HK\$2,037,111 (equivalent to Rmb2,161,579 approximately) and Rmb10,433,084 placed in non-bank financial institutions in Hong Kong and the PRC respectively, the Group did not have any trust deposits, nor any time deposits with any non-bank financial institution in the PRC. Nearly all of the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.



DIRECTORS

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

Executive Directors

Mr. Geng Xiaoping
Mr. Fang Yunti
Mr. Zhang Jingzhong
Mr. Xuan Daoguang

Non-executive Directors

Ms. Zhang Luyun (appointed on March 1, 2003)
Ms. Zhang Yang (appointed on March 13, 2002)
Ms. Zhang Chunming (term expired on February 28, 2003)
Mr. Xia Linzhang (resigned on March 13, 2002)

Independent Non-executive Directors

Mr. Tung Chee Chen
Mr. Zhang Junsheng
Dr. Hu Hung Lick, Henry
(term expired on February 28, 2003)
Mr. Zhang Liping (appointed on March 1, 2003)

CHANGE IN DIRECTORS AND SENIOR MANAGEMENT

Pursuant to an extraordinary general meeting held on February 11, 2003, the term of office for the existing Directors is three years, with effect from March 1, 2003. At the same meeting, Mr. Geng Xiaoping was elected as the Chairman of the Company, Mr. Tung Chee Chen was appointed as the Chairman of the Audit Committee and the Nomination and Remunerations Committee, and Mr. Fang Yunti was appointed as the General Manager of the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and supervisors ("Supervisors") of the Company has entered into a service agreement with the Company, with effect from March 1, 2003, for a term of three years.

Save as disclosed above, none of the Directors and Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.



DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the Directors or Supervisors had any material interest, whether direct or indirect, in any contract of significance to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party, at the end of the year or at any time during the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at December 31, 2002, none of the Directors, Supervisors or their associates had any personal, family, corporate or other interests in any equity or debt securities of the Company or any associated corporations (as defined in the SDI Ordinance) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

DIRECTORS' AND SUPERVISORS' RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries, jointly-controlled entity, associates and fellow subsidiaries a party to any arrangement enabling any Directors or Supervisors or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate. No rights to subscribe for shares in, or debentures of the Company have been granted by the Company to, nor have any such rights been exercised by, any person during the year and up to the date of this report.

PENSION SCHEME

As required by the State regulations of the PRC, the Group participates in a defined contribution pension scheme organised

by local social security authorities. Under the scheme, all employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Group is required to make contributions to local social security authorities at rates ranging from 20% to 22.5% of the average basic salaries of the employees of the previous year within the geographical area where the employees are under employment with the Group. The Group has no obligation for the payment of pension benefits beyond such annual contributions to the registered insurance companies. When an employee leaves the scheme, the Group is not entitled to a refund of any contributions that it has previously made. Hence, no forfeited contribution was used by the Group to reduce the level of its contributions during the year. During the year, contributions to registered insurance companies made by the Group under the defined contribution retirement scheme amounted to Rmb6,534,000 (2001: Rmb6,900,000).

MEDICAL INSURANCE SCHEME

Medical expenses for employees of the Group were accounted for as part of the benefits provided by the Group in 2002 and the years before in accordance with relevant accounting rules and internal policies. Following the promulgation of employees' basic medical schemes by local governments in Zhejiang Province starting from the second half of 2002, the Group is expected to enroll in these compulsory schemes in 2003. Judging from arrangements of the schemes, the Directors do not anticipate any significant impact of its participation in the scheme on the Group's financial standing, specifically its consolidated income statement and consolidated balance sheet.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the Company's articles of association or the laws of the PRC, which would require the Company to offer new shares on a pro rata basis to existing shareholders.

TAXATION OF THE UNITED KINGDOM

An individual holder of H shares who is a resident and domiciled in the United Kingdom (the "UK") will, in general, be liable to UK income tax on dividends received from the Company. Where such an individual receives dividends from the Company without withholding of taxes, the amount included as income for the purpose of computing his or her UK tax liability is the gross amount of the dividend and this is taxed at the appropriate marginal rate (currently 10% in the case of a basic rate for a lower rate taxpayer and 32.5% in the case of a higher rate taxpayer). Where tax is withheld from the dividend, credit will be given against UK income tax for any tax withheld from the dividend up to the amount of the UK income tax liability. The Company would assume responsibility for withholding tax at source within the PRC if such a withholding is required. The current UK-Chinese Double Taxation Agreement provides that the maximum withholding tax on dividends from Chinese resident companies paid to UK residents is 10% of the gross dividend.

UK resident holders of H Shares who are individuals but not domiciled within the UK will only be liable to income tax on a dividend from the Company to the extent that the dividend is remitted to the UK.

A holder of H Shares which is a UK tax resident company will, in general, be liable to UK corporation tax on dividends received from the Company, with double tax relief available for withholding tax suffered. In certain cases (not to be discussed here), a holder of H Shares which is a UK tax resident company may be entitled to relief for "underlying" tax paid by the Company or its subsidiaries.



ACCOMMODATION BENEFITS FOR EMPLOYEES

According to relevant rules and regulations in the PRC, the Group and its employees are all required to make contributions to an accommodation fund to local social security authorities, which are in proportion to the salaries and wages of the employees at an average rate of 7%. There are no further obligations beyond the contribution to the accommodation fund organised by local social security authorities.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 41 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

Due to the non-availability of certain Directors, no full board meeting of the Directors was held by the Company during the year as opposed to the recommendation of no less than one such meeting every six months in paragraph 1 of the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code"). Except for the above, the Directors are of the opinion that the Company complied with the Code throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee, which was established in accordance with the requirement of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive Directors and the two non-executive Directors.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as international auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Geng Xiaoping

Chairman

Hangzhou, Zhejiang Province, the PRC

March 4, 2003