



CHAIRMAN'S STATEMENT



To extend our gratitude to all shareholders and all sectors of the community for their supports for the Group, I am pleased to present a review of the Group's business performance in 2002 and to forecast the future development of the Group.

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RESULTS AND DIVIDENDS

In accordance with generally accepted accounting principles in Hong Kong, the Group achieved a turnover of RMB524 million for the year 2002, with an increase of 7.04% over that of 2001. Owing to the termination of the preferential income tax treatments by which the Company, its subsidiary and a jointly controlled entity were previously exempted from PRC enterprise income tax for five years starting from the first year in which they first recorded assessable profits and a 50% reduction of the PRC enterprise income tax for the five consecutive years thereafter, the tax paid by the Company for the year 2002 increased. In addition, the construction management service income recorded a sharp decrease in 2002 as compared with 2001. As a result, profit attributable to shareholders of the Company declined by 14.57% as compared with the year 2001, amounting to RMB360 million, and its earnings per share were RMB0.165. In accordance with the PRC accounting standards, income of the Group's principal operating business for the year ended 31 December 2002 was RMB646 million, with a growth of 6.88% as compared with 2001. Its net profit amounted to RMB351 million, down by 12.58% as compared with that of 2001, and its earnings per share were RMB0.160.

In view of the Company's solid cash flow position and its long-term adherence to the principle to maximize the shareholders' interest, the Board recommended a final dividend of RMB0.12 per share for the fiscal year of 2002, subject to the approval of the shareholders in the 2002 Annual General Meeting to be held on 30 May 2003.

Steady Increase of principal business

In 2002, the Company was affected by the material policy changes and uncertain factors. Certain adverse factors have posed certain pressure to the operation and management of the Group. The management of the Company positively embraced the severe tests and challenges posed by the market, seriously analyzed the market changes, took effective precautions against investment and operation risks, improved its management and actively studied its development strategy. With the joint efforts of the Company's employees, the Company still achieved satisfactory results during the year.

In 2002, although NH205 and Jihe East of the Company were affected by the traffic diversion brought by Shuiguan Expressway, other toll roads of the Company performed well and toll revenue kept growing steadily. Expressways operated by the Company have become the main sources of the Group's profit growth. Jihe West witnessed a remarkable growth, with its daily average mixed traffic volume and toll revenue growing by more than 30%, while other expressways and NH107 also achieved growth in various degrees.



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Acceleration of Business Development

The Company continues to invest in and develop toll expressway projects in Shenzhen, the Pearl River Delta and other regions in the PRC, with a view to perfecting the expressway network in Shenzhen and enhancing the income from its core business. In December 2002, the Company acquired 40% equity interest in the newly-opened Shenzhen Shuiguan Expressway, and will continue to develop the linkage section of Shuiguan Expressway, which will connect the downtown of Shenzhen. Thus, Shuiguan Expressway has great growth potential and a bright future.

In March 2003, the Company entered into a transfer agreement with Shenzhen Communications Bureau, pursuant to which the Company transferred the operating rights of its NH107 and NH205 to Shenzhen Communications Bureau at the consideration of RMB1.93 billion. With the above transfer, the Company had an opportunity to dispose of its non-expressway assets and improve the asset portfolio of the Company for long term development. On the other hand, the transfer will bring a substantial cash inflow to the Company, which will enable the Company to invest in other expressways with high growth potential in Shenzhen and other regions in the PRC with the sale proceeds.

Enhancement of the Company's Strategic Study and Improvement of its Business up to a Higher Level

The Company has always focused on perfecting its medium and long-term development strategy. In 2002, the Strategic Development & Investment Committee of the Company further strengthened the study on the strategic development of the Company. It analyzed the development potential of the toll road sector and the Company's competitiveness and advantages, with a view to implementing its development strategy, which is aimed at improving the Company's overall profitability and competitiveness.

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Planning and Prospects

With the solid foundation laid down by the Company during the past few years, the Company has overcome the difficulties it confronted in 2002. Certain adverse factors also disappeared during the year. We believe that in 2003 and a couple of years thereafter, the Company will gradually enter a new phase of development.

"Without undergoing wind and rain, now can we see the rainbow?" The Company will actively improve its capability against risks and strengthen its risk control. It will continue to perfect its corporate governance and internal management system, adjust its capital structure, asset portfolio and finance structure, and constantly enhance its competitiveness. It will take up challenges and capitalize on opportunities. We are confident of the future of the Company. The Company will, as always, with the principle of being responsible for its shareholders, its staff and the society, exert its utmost efforts to bring better returns to its shareholders.

Chen Chao
Chairman

Shenzhen, the PRC, 11 April 2003

