



Chairman's Statement

TO ALL SHAREHOLDERS:

I am pleased to present the favourable operating results of the Company for 2002. For the year ended 31st December 2002, the Company's operating results continued to grow significantly. In accordance with the PRC Accounting Standards, profit after taxation was approximately RMB258,392,000, representing an increase of 4.14% over the previous year and earnings per share was level with last year at approximately RMB0.18 (weighted average). In accordance with the Hong Kong Accounting Standards, profit after taxation was approximately RMB309,031,000, representing an increase of 14.47% over last year and earnings per share was RMB0.2185, representing an increase of 13.98% over last year.

2002 was the first year after China's accession to the WTO. The PRC government continued to implement active fiscal policies by strengthening investments in infrastructure. The support of state policies and the sustained and stable growth of the national economy have created an excellent external environment for the Company's development. Anhui Province, where the Company is located, is the key province linking the south-eastern coastal regions with the inland and central and western parts of the PRC. In the wake of the State's "Develop the West" strategy, the unique geographical advantages of Anhui Province has become more apparent. The traffic volumes of the Company's highways have increased rapidly and toll revenue, as the income of the principal operations, kept an excellent growth trend. In 2002, income from the principal operations was approximately RMB751,627,000, representing an increase of 22.93% over last year.

Despite the dismal equity market, the Company successfully issued 250 million A Shares on the Shanghai Stock Exchange by raising proceeds of RMB550 million, which made the Company the first highway company in Anhui Province to be listed in both Hong Kong and the Mainland after becoming the first H Share highway company in the PRC. By enhancing its funds-raising capabilities further, it provides a strong funding backing for the Company's future development. Following the successful issue of A Shares, the Company will acquire the Anhui Section of the Lianhuo Expressway (from Lianyungang to Huoerguosi Expressway) by using the proceeds raised from the A Share issue. Such acquisition has enabled the Company to achieve control over the two most important east to west National Trunk Highways in Anhui Province, and laid a solid foundation for the stable and sustained development of the Company's principal operations.

The Company continues to perfect the corporate governance structure along with its efforts on upgrading the operation and management of toll expressways. In 2002, pursuant to the relevant requirements of China Securities Regulatory Commission and the provisions of the Company Law, Securities Law, the respective listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange and the Articles of Association, the Company formulated the Rules and Procedures of General Meetings, the Working Rules of the Board, the Working Rules of the General Manager and the Terms of Reference of the Professional Committee of the Board to further improve the corporate legal person governance structure. The Company established the Human Resources and Remuneration Committee and the Strategic Development and Investment Committee to upgrade the scientific and reasonable decision-making of the Board and the work efficiency and standardised management of the Board.



Looking ahead to 2003, the Chinese economy will continue to develop soundly. Road infrastructure construction will continue to be strengthened and adjustments in customs tariff resulting from China's accession to the WTO will also increase the number of vehicles significantly. All these will provide excellent opportunities for the Company's development. The Company will strengthen the operation and management of toll highways continuously, improve market competitiveness of the Company, devote more efforts by investing in high and new technology industry to form a new focus of economic growth and enhance enterprise earnings. Besides, the Company will actively nurture corporate culture so that investors may perceive a sound enterprise image.

May I take this opportunity to express my gratitude to the shareholders and the staff, without whose support, contribution and devotion, the Company would not be able to achieve such satisfactory performance.

Wang Shui

Chairman

Hefei, Anhui, the PRC

23rd April 2003