

The directors of the Company present their annual report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries and infrastructure joint ventures are set out in notes 14 and 15 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 22.

MAJOR CUSTOMERS AND SUPPLIERS

The Group had no major customers due to the nature of the principal activities of the Group.

During the year ended 31 December 2003, the aggregate operating and administrative expenses attributable to the largest supplier and five largest suppliers taken together accounted for 30.5% and 36.2% respectively of the Group's total operating and administrative expenses for the year.

FINANCIAL SUMMARY

The Company was incorporated in Bermuda on 1 February 2002. The ordinary shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of introduction with effect from 19 September 2002. Accordingly, the only consolidated income statement and consolidated balance sheet prepared by the Group are set out on pages 22 and 23 of the annual report respectively.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the authorised and issued share capital of the Company are set out in note 19 to the financial statements.

There was no movement in the Company's share capital during the year.

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 21 to the financial statements.

There was no movement in the Company's convertible notes during the year.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company has no reserve available for distribution to the shareholders.

DIRECTORS AND DIRECTORS' SERVICES CONTRACTS

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

Executive directors:

Mr. Cheng Yung Pun (*Chairman*)
Mr. Yu Sui Chuen
Ms. Cheng Wing See, Nathalie
Mr. Lee Sai Keung, Daniel (resigned on 30 June 2003)

Independent non-executive directors:

Mr. Au-Yeung Tsan Pong, Davie
Mr. Fung Ka Choi

In accordance with Bye-law 87(1) & (2) of the Company's Bye-laws, Mr. Yu Sui Chuen retires and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

Each of the executive directors and independent non-executive directors has entered into a service contract with the Company for an initial fixed term of two years commencing from 1 September 2002, which will continue thereafter unless terminated by not less than six months' notice in writing served by either the executive directors or the Company on the other, and not less than one month notice in writing served by either the non-executive directors or the Company on the other.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2003, the interests of the directors and their associates in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Long positions of ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Yung Pun	Controlled corporation (Note)	325,500,000	68.55%

Note:

These shares are held by Leading Highway Limited ("Leading Highway"), a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is wholly owned by Mr. Cheng Yung Pun.

(b) Derivative

Leading Highway holds the entire interest of the convertible notes of the Company in an amount of HK\$18,000,000. The convertible notes can be converted into ordinary shares of HK\$0.10 each in the Company at any time prior to the maturity date at the initial conversion price of HK\$0.10 per share (subject to adjustments).

Save as disclosed above, none of the directors, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2003.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year was the Company, its ultimate holding company or any subsidiaries of its ultimate 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 and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors have any interests in competing business to the Group.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTION

Details of the discloseable connected transaction for the year are set out in note 29 to the financial statements. Other than as disclosed therein, no contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Other than the interests disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in respect of Mr. Cheng Yung Pun, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in shares, underlying shares and debentures of the Company as at 31 December 2003.

SHARE OPTION SCHEME

The share option scheme (the "Option Scheme") of the Company was adopted by the Company pursuant to the written resolutions of the sole shareholder passed on 14 August 2002. Particulars of the Option Scheme are set out in note 27 to the financial statements.

There has been no option granted since the adoption of the Option Scheme.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SUBSEQUENT EVENT

The traffic policies of Hangzhou City Government have been changed with effect from 1 January 2004 that all the automobiles registered in the Hangzhou City are exempted from toll payments for the purpose of enhancing capacity of its road networks and providing efficient services. The Group has been liaising with the local government in order to reach a compensation agreement pursuant to the Instruction No. 197 and No. (2003)31 of the Hangzhou City Government on the impact of the adjustment of toll collection. However, up to the date of this annual report, the agreement has not been finalized.

AUDIT COMMITTEE

The Company set up an audit committee on 19 September 2002 with written terms of reference in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has two members comprising Messrs. Au-Yeung Tsan Pong, Davie and Fung Ka Choi, both being independent non-executive directors of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

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

By Order of the Board

Cheng Yung Pun

Chairman

Hong Kong, 24 March 2004