

2003 Interim Report



悦達控股有限公司
Yue Da Holdings Limited

The board of directors (the “Board”) of Yue Da Holdings Limited (the “Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2003 as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2003

	NOTES	Six months ended	
		30.6.2003 RMB'000 (unaudited)	30.6.2002 RMB'000 (unaudited) (as restated)
Gross toll revenue		34,026	36,090
Less: Business tax and local government levies		(1,710)	(1,827)
Net toll revenue		32,316	34,263
Operating costs		(17,871)	(16,756)
		14,445	17,507
Other operating income		218	295
Administrative expenses		(6,032)	(5,179)
Profit from operations	4	8,631	12,623
Interest expenses		(1,569)	(2,185)
Profit before tax		7,062	10,438
Income tax expenses	5	(1,358)	(2,069)
Profit before minority interests		5,704	8,369
Minority interests		(580)	(1,507)
Net profit for the period		5,124	6,862
Final dividends paid	6	4,200	—
Earnings per share	7		
— Basic		2.6 cents	3.4 cents
— Diluted		2.6 cents	3.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June ,2003

	NOTES	30.6.2003 RMB'000 (unaudited)	31.12.2002 RMB'000 (unaudited) (as restated)
NON-CURRENT ASSETS			
Property, plant and equipment	8	404,705	413,217
Goodwill		723	804
		405,428	414,021
CURRENT ASSETS			
Deposits and other receivables		795	464
Taxation recoverable		23	23
Bank balances and cash		74,944	69,561
		75,762	70,048
CURRENT LIABILITIES			
Accruals and other payables		4,657	6,031
Amount due to a joint venture partner of a subsidiary		5,461	4,868
Taxation payable		293	160
Unsecured short-term borrowings	9	25,200	22,800
		35,611	33,859

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30th June ,2003

	NOTES	30.6.2003 RMB'000 (unaudited)	31.12.2002 RMB'000 (unaudited) (as restated)
NET CURRENT ASSETS		40,151	36,189
TOTAL ASSETS LESS CURRENT LIABILITIES		445,579	450,210
MINORITY INTERESTS		88,762	89,175
NON-CURRENT LIABILITIES			
Deferred taxation		9,237	8,734
Advance from a joint venture partner of a subsidiary		873	2,618
Unsecured long-term borrowings	9	61,439	65,339
		71,549	76,691
NET ASSETS		285,268	284,344
CAPITAL AND RESERVES			
Share capital		21,000	21,000
Reserves		264,268	263,344
SHAREHOLDERS' FUNDS		285,268	284,344

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	Share capital	Share premium	Non- distributable reserves	Special reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2002						
— As previously reported	21,000	15,897	(1,127)	157,178	84,292	277,240
— Prior period adjustment (unaudited) (note 2)	—	—	—	—	(2,871)	(2,871)
— As restated	21,000	15,897	(1,127)	157,178	81,421	274,369
Net profit for the period (unaudited)	—	—	—	—	6,862	6,862
At 30th June, 2002 (unaudited)	21,000	15,897	(1,127)	157,178	88,283	281,231
Net profit for the period (unaudited)	—	—	—	—	3,113	3,113
At 31st December, 2002	21,000	15,897	(1,127)	157,178	91,396	284,344
Net profit for the period (unaudited)	—	—	—	—	5,124	5,124
Dividends (unaudited)	—	—	—	—	(4,200)	(4,200)
At 30th June, 2003 (unaudited)	21,000	15,897	(1,127)	157,178	92,320	285,268

The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations and capital deficit arising from capital injections by the Group into the Company's subsidiaries in the PRC in the form of foreign currencies.

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2001 and the surplus arising pursuant to the capitalisation of an amount payable to a fellow subsidiary as part of the group reorganisation.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

	Six months ended	
	30.6.2003 RMB'000 (unaudited)	30.6.2002 RMB'000 (unaudited)
Net cash from operating activities	16,201	10,829
Net cash used in investing activities	(2,973)	(2,088)
Net cash used in financing activities	(7,845)	(5,091)
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Net increase in cash and cash equivalents	5,383	3,650
Cash and cash equivalents at beginning of the period	69,561	64,233
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Cash and cash equivalents at end of the period represented by bank balances and cash	74,944	67,883
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES AND PRIOR PERIOD ADJUSTMENT

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2002, except as described below:

Income taxes

In the current period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening accumulated profits at 1st January, 2002 have been reduced by RMB2,871,000 (31st December, 2002: RMB3,076,000) and the net profit for the six months ended 30th June, 2002 has been decreased by RMB155,000. There is no material effect on the results for the current period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2003

3. SEGMENT INFORMATION

The Group is engaged solely in the management and operation of highways in the People's Republic of China (the "PRC"). All identifiable assets of the Group are located in the PRC.

4. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2003	30.6.2002
	RMB'000	RMB'000
Profit from operations has been arrived at after charging (crediting):		
Amortisation of goodwill (included in administrative expenses)	81	80
Depreciation and amortisation of property, plant and equipment	11,138	10,354
Loss on disposal of property, plant and equipment	347	78
Interest income	(208)	(61)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2003

5. INCOME TAX EXPENSES

	Six months ended	
	30.6.2003 RMB'000	30.6.2002 RMB'000
PRC income tax	855	1,288
Deferred taxation	503	781
	1,358	2,069

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to relevant laws and regulations in the PRC, the Group's PRC subsidiaries are entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The reduced tax rate for the relief period is 7.5%. The charge of PRC income tax for prior periods had been provided for after taking these tax incentives into account. A PRC subsidiary of the Company was subject to PRC income tax at the full tax rate of 15% starting from the current period while another PRC subsidiary was subject to PRC income tax at the full tax rate of 15% for both periods.

The effective income tax rate of the Group for the current period is 19% (six months ended 30th June, 2002: 20%). It is higher than what would be expected if the statutory rates were applied to profit before tax primarily because of a loss incurred by a member of the Group for which no deferred taxation is recognised as it is uncertain whether the carryforward benefits will be realised in the foreseeable future.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2003

6. FINAL DIVIDENDS PAID

During the period, a dividend of HK\$0.02 (six months ended 30th June, 2002: Nil) per share was paid to shareholders as the final dividend for the year ended 31st December, 2002.

The directors do not recommend the payment of an interim dividend.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30.6.2003 RMB'000	30.6.2002 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	5,124	6,862
	'000	'000
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	200,000	200,000
Effect of dilutive share options	431	—
Number of ordinary shares for the purposes of diluted earnings per share	200,431	200,000

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2003

7. EARNINGS PER SHARE — (continued)

The adjustment to comparative earnings per share, arising from the change in accounting policy described in note 2 above, is as follows:

	Cents
Reconciliation of earnings per share for the six months ended 30th June, 2002	
Reported figure before adjustment	3.5
Adjustment arising from the adoption of SSAP 12 (Revised)	(0.1)
Restated figure	3.4

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred cost for construction in progress and acquisition of furniture and fixtures in an aggregate amount of RMB2,973,000 and disposed of other items of property, plant and equipment with a carrying amount of RMB347,000, resulting in a loss on disposal of RMB347,000.

9. UNSECURED BORROWINGS

During the period, the Group renewed short-term bank borrowings in the amount of RMB10,000,000 for general working capital purposes. At 30th June, 2003, the total outstanding amount of the short-term bank borrowings was RMB15,000,000.

Included in the unsecured borrowings at 30th June, 2003 is a loan from the joint venture partner of a subsidiary which carried interest at 7.488% per annum. The total outstanding amount of the loan from the joint venture partner of the subsidiary was RMB28,079,000 of which RMB10,200,000 is due within the next twelve months and is classified as a short-term borrowing accordingly.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2003

9. UNSECURED BORROWINGS — (continued)

In addition, included in the unsecured borrowings is a long-term loan from the joint venture partner of another subsidiary which carried no interest. At 30th June, 2003, the outstanding amount of the loan from the joint venture partner of the subsidiary was RMB43,560,000.

10. RELATED PARTY TRANSACTIONS

During the period, the Group had significant transactions with certain related parties as follows:

Related parties	Nature of transactions	Six months ended	
		30.6.2003 RMB'000	30.6.2002 RMB'000
Fellow subsidiary	Rentals paid on land and buildings	392	392
Associate of ultimate holding company	Rentals paid on land and buildings	250	250

The rentals were charged in accordance with the relevant tenancy agreement.

11. POST BALANCE SHEET EVENT

In August 2003, the Group and the joint venture partner of the Company's subsidiary, Langfang Tongda Highway Co., Ltd. ("Langfang Tongda"), agreed to extend Langfang Tongda's joint venture term for a further ten years ending in May 2023, as compensation for the reduction of revenue and for additional costs incurred by Langfang Tongda during the course of the relocation of a toll station required by the local governmental authority. As at the date of the interim report, applications with the relevant governmental authorities for toll collection during the extended joint venture term is still in progress.

FINANCIAL PERFORMANCE

For the period ended 30th June, 2003, the turnover of the Group was RMB34,026,000, representing a decrease of approximately 6% from RMB36,090,000 for the corresponding period of last year. The unaudited profits attributable to shareholders was RMB5,124,000, representing a decrease of approximately 25% from RMB6,862,000 for the corresponding period of last year, and the basic earnings per share was RMB2.6 cents, representing a decrease of approximately 24% from RMB3.4 cents for the corresponding period of last year.

INTERIM DIVIDEND

The Board does not propose any interim dividends for the period.

BUSINESS REVIEW

Overview

The turnover of the Group is largely made up of toll receipts from the National Highway 204-Xin Fu Section (the “Xin Fu Section”) and National Highway 106- Wen An Section (the “Wen An Section”). During the Period, the gross toll revenues of the Xin Fu Section and the Wen An Section were approximately RMB18,004,000 and RMB16,022,000 respectively, representing 53% and 47% of the total operating revenue of RMB34,026,000, as compared to 48% and 52% of that for the corresponding period of last year.

During the period, the turnover and operating profits of the Group decreased as compared to those for the previous year as the decreased traffic volume along the Wen An Section resulted in a relatively substantial decrease of toll receipts, given the impact of severe acute respiratory syndrome (“SARS”). However, with the efforts of the Group, an increase of the toll receipts was recorded for the Xin Fu Section. As the impact of the SARS fades out and the PRC’s economy continues to grow, the traffic volume is expected to increase.

The Wen An Section

The traffic flow along Wen An Section, being located in Langfang, Hebei, which was near Beijing, was materially affected by the SARS. During the Period, traffic volume dropped to a substantial extent. The monthly average traffic volume was about 195,771 vehicles. The amount of toll receipts was RMB16,022,000, representing a decrease of approximately 15% from RMB18,920,000 for the corresponding period of last year. As the SARS is under control, the traffic flow is picking up again.

The Xin Fu Section

Being located in Yancheng, Jiangsu, the Xin Fu Section recorded an increase of traffic volume as the impact of the SARS was not material and the Section also benefited from such favourable factors as the full operation of the new toll collection and control system and the decrease in bypass traffic flow. The monthly average traffic volume was about 245,264 vehicles. The amount of toll receipts was RMB18,004,000, representing an increase of approximately 5% from RMB17,170,000 for the corresponding period of last year. It is expected the growth will continue during the remaining months of this year.

Toll Collection System

Computer-aided toll collection and control system for both of the Xin Fu Section and the Wen An Section came into use during the Period, which further enhanced the operation standard of the toll highway business. During the Period, no adjustment was made in respect of the toll fees for the Xin Fu Section and the Wen An Section.

Repairs, maintenance and supporting facilities

During the period, regular repair and maintenance works were implemented for the quality of the Xin Fu Section and the Wen An Section. However, no large-scale maintenance work was done at either Section.

Prospects

Up to 30th June, 2003, because of changes in the toll collection model of the Chongqing Sino-Portuguese Bridge Company Limited, no agreement has been reached in respect of the Chongqing Sino-Portuguese acquisition project. Accordingly, the net proceeds from the Company's initial public offerings of approximately RMB36,680,000 have been placed in a bank.

The toll collection booths of the Wen An Section was relocated as required by the government. Lanfang Tongda Highway Co. Ltd., a subsidiary of the Company, was granted an extension for its joint venture period for ten years as a compensation for its cost and loss of income arising from its relocation. The business licence and the approval for the extension of the joint venture period were granted by the relevant government departments, and an application for toll collection for the extended joint venture period was submitted to the competent authorities. Once the extension of the toll collection period is approved, adjustments in connection with such extension may have to be made in respect of the works of highway maintenance and the repayment of shareholders' borrowing accordingly. A further announcement will be issued in due course.

During the Period, the management devoted considerable efforts and resources in contacting and negotiating a number of infrastructure investment projects. Certain key projects have now been selected for follow-up. As Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the Group's ultimate holding company, also participates in the investment in, and management and operation of, infrastructure facilities, the Group may cooperate with Jiangsu Yue Da to invest in, and operate and manage, infrastructure facilities. Being built on the foundation of its toll highway business, the Group will continue to actively identify new infrastructure investment projects such as power plants or ports to develop a diversified infrastructure investment portfolio so as to enhance its competitiveness in the key areas of business development, protect the interests of its shareholders and secure high returns for its investors.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2003, the Group recorded current assets of RMB75,762,000, which included bank balances and cash in the aggregate sum of RMB74,944,000. The Group's total current liabilities amounted to RMB35,611,000, of which RMB15,000,000 was short term bank loans. Total non-current liabilities amounted to RMB71,549,000. Total net assets for the Group were RMB285,268,000. The Group's gearing ratio (total liability/total assets) stood at of 22%.

As at 30th June, 2003, the Company did not grant any guarantee or give any charge except the grant of the guarantee to the extent of RMB15,000,000 in respect of the bank loans granted to its subsidiaries. The Group did not have any material contingent liabilities.

The Group's monetary assets, liabilities and the transactions entered into by the Group are mainly denominated in Hong Kong dollars, Renminbi and US dollars. Since Hong Kong dollars are pegged to US dollars and there is no significant fluctuation in exchange rates between Hong Kong dollars and Renminbi, the Group believes that the risk of exposure to exchange rate is minimal.

EMPLOYEES AND REMUNERATION POLICY

For the period ended 30th June, 2003, the Group had a total of 295 full-time employees in Hong Kong and the PRC to carry out management, administration and toll collection duties. The management reviews the remuneration policy regularly on the basis of the performance and experience of the employees, as well as the prevailing industry practice. The Group also provides various training courses on relevant business and skills for the management and staff members at all levels. Pension contributions are made by the Group for its PRC staff members in accordance with the relevant regulations in the PRC. Meanwhile an insurance scheme and a mandatory provident fund scheme are maintained for its employees in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company during the period.

CODE OF BEST PRACTICE

The Directors consider that the Group was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practice adopted by the Group and the interim unaudited financial statements, and discussed issues relating to review, internal controls and financial reporting with the management.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ANY OTHER ASSOCIATED CORPORATIONS

As at 30th June, 2003, the interests or short positions of each of the Directors and Chief Executives of the Company in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), as required to be notified the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under sub-parts 7 and 8 of Part XV, or as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Names	The Company/names of the associated corporations	Capacity	Number of shares and classes (note)
Hu You Lin	The Company	Beneficial owner	1,980,000 ordinary shares of HK\$0.10 per share (L)
Shi Jun	The Company	Beneficial owner	1,230,000 ordinary shares of HK\$0.10 per share (L)
Lu Wei Dong	The Company	Beneficial owner	1,020,000 ordinary shares of HK\$0.10 per share (L)
Dong Li Yong	The Company	Beneficial owner	1,020,000 ordinary shares of HK\$0.10 per share (L)
Yao Hong	The Company	Beneficial owner	210,000 ordinary shares of HK\$0.10 per share (L)

Note: The letter "L" represents the interests in the shares and underlying shares in the Company or its associated corporations. The interests mentioned above represent the shares allotted upon the exercise in full of the options granted by the Company to the above-mentioned directors pursuant to the share option scheme on 16th May, 2003.

For details, please refer to the section headed "Share Option Scheme" below.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interest or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30th June 2003.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30th June, 2003, as shown in the register of substantial shareholders maintained by the Company under section 336 of the Securities and Futures Ordinance, the following persons had an interests of 5% or more in the issued share capital and short positions of the Company:

Name	Capacity	Number of shares (note 1)	Percentage of interests
Yue Da Group (H.K.) Co., Limited	Beneficial owner	140,000,000(L)	70%
Jiangsu Yue Da Group Company Limited (note 2)	Interests of a controlled company	140,000,000(L)	70%
Jiang Tong Co., Ltd.	Beneficial owner	15,711,000(L)	7.9%
Jiangsu Ocean Shipping Co. (note 2)	Interests of a controlled company	15,711,000(L)	7.9%
Zhongshan Industrial Development Ltd.	Beneficial owner	10,914,000(L)	5.5%

Notes:

- (1) The letter "L" represents the interests in the shares and underlying shares in the Company.
- (2) Jiangsu Yue Da Group Company Limited holds 100% interests in Yue Da Group (HK) Co., Limited and is deemed to be interested in the shares of the Company beneficially owned by Yue Da Group (HK) Co., Limited under the Securities and Futures Ordinance. Jiangsu Ocean Shipping Co. holds 100% interests in Jiang Tong Co., Ltd. and is deemed to be interested in the shares of the Company beneficially owned by Jiang Tong Co., Ltd. under the Securities and Futures Ordinance.

Save as disclosed above, the Directors are not aware of any other persons who, as at 30th June, 2003, had interests of 5% or more in the issued share capital of the Company.

SHARE OPTION SCHEME

On 12th November, 2001, the sole shareholder of the Company passed a written resolution to adopt the share option scheme of the Company. During the period, details of the options granted by the Company pursuant to the share option scheme of the Company are as follows:

Names and classes of the participants	Date of grant (note)	Exercisable period	Exercise price per share (HK\$)	Number of shares to be allotted upon exercise of options granted during the period and outstanding as at 30th June, 2003	Closing price per share on the date of grant (note) (HK\$)
Directors				5,460,000	
Hu You Lin	2003-4-29	2003-5-16 to 2013-5-15	0.40	1,980,000	0.4
Shi Jun	2003-4-29	2003-5-16 to 2013-5-15	0.40	1,230,000	0.4
Lu Wei Dong	2003-4-29	2003-5-16 to 2013-5-15	0.40	1,020,000	0.4
Dong Li Yong	2003-4-29	2003-5-16 to 2013-5-15	0.40	1,020,000	0.4
Yao Hong	2003-4-29	2003-5-16 to 2013-5-15	0.40	210,000	0.4
Employees				1,530,000	
In aggregate	2003-4-29	2003-5-16 to 2013-5-15	0.40	270,000	0.4
	2003-4-29	2003-5-9 to 2013-5-8	0.40	1,260,000	0.4
Others	2003-4-29	2003-5-16 to 2013-5-15	0.40	1,650,000	0.4
Total				8,640,000	

Note: The date of grant refers to the dates on which the options were offered to the participants.

The financial impact of share options granted is not recorded in the Company's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

In the opinion of the Directors, the theoretical value of the options granted during the period is subject to a number of variables. Those variables cannot be determined or can only be determined on the basis of certain theoretical bases and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the options will not be meaningful and may be misleading to shareholders in the circumstances.

By order of the Board
Yue Da Holdings Limited
Hu You Lin
Chairman

Hong Kong, 23rd September, 2003