

## FINANCIAL HIGHLIGHTS

For the year ended 31st December, 2003, the turnover of the Group was RMB74,696,000, representing an increase of approximately 7% from RMB69,802,000 for the previous year. The audited profit attributable to shareholders was RMB11,603,000, representing an increase of approximately 16% from RMB9,975,000 (as adjusted) for the previous year, and basic earnings per share were RMB5.8 cents, representing an increase of approximately 16% from approximately RMB5 cents for the previous year.

## DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK\$0.02 per ordinary share for the year ended 31st December, 2003 to the shareholders whose names appear on the register of members of the Company on 14th May, 2004. Subject to the approval at the forthcoming annual general meeting, the proposed dividend will be distributed to the shareholders on or before 30th June, 2004. The register of members of the Company will be closed from 11th May, 2004 to 14th May, 2004 (both dates inclusive) during which period no share transfer will be registered.

## BUSINESS REVIEW

### Overview

The turnover of the Group is largely made up of toll receipts from the Xin Fu Section of National Highway 204 ("Xin Fu Section") and the Wen An Section of National Highway 106 ("Wen An Section"). During the period under review, the operating revenues of the Xin Fu Section and the Wen An Section were approximately RMB37,608,000 and RMB37,088,000 respectively, each accounting for approximately half of the aggregate turnover in the sum of RMB74,696,000, compared to 48% and 52% for the corresponding period in the previous year, reflecting a slight increase in the proportion of revenue contributions from the Xin Fu Section.

The Group recorded an year-on-year increase in turnover and net profit despite setback in toll receipts from the Wen An Section for the first six months of 2003 as a result of the outbreak of severe acute respiratory syndrome ("SARS"), which was attributable to the continuous upsurge in vehicle flow in connection with China's robust economic growth in the second half of the year coupled with enhanced management measures by the Group. The board of directors expects highway traffic to increase as China continues to record stable economic growth and demand for vehicles is increasing. With the efforts from the Group's management, staff and workers and the effective implementation of cost control measures, the Group's business will enjoy steady growth in the future.



**National Highway 204 — the Xin Fu Section in Jiangsu Province**

Jiangsu Province experienced strong economic growth throughout 2003. According to preliminary estimates, the Province's GDP during the year amounted to RMB1,245.18 billion, representing a 13.5% increase compared with the previous year, and a rise by 1.9% in the growth rate compared with last year. The transport industry saw stable growth with the throughput of cargoes and passengers

increasing by 17.7% and 5.2%, respectively, over the previous year. As at the end of the year, the total length of highways in the Province was 65,565 kilometers, while the length of new roads built during the year was 5,424 kilometers. The number of passenger vehicles, notably private cars, grew rapidly. As at the end of the year, there were 1,318,000 civil vehicles, including 587,000 privately-owned vehicles, representing increases of 26.1% and 48.7%, respectively.

Driven by a series of favourable factors, including strong growth in the Jiangsu economy and transportation industry, the full implementation of the highway surveillance project, the full opening to traffic of the Ningjingyan Expressway, which was connected to the Xin Fu Section, and improvements in highway traffic conditions, the annual average daily traffic ("AADT") on the Xin Fu Section grew by approximately 12% to 13,286 vehicles, compared with 11,874 vehicles in the previous year. Toll receipts amounted to RMB37,608,000, representing an increase of nearly 12% compared to RMB33,684,000 for the previous year. As Jiangsu Province's economic development continues while the transport industry maintains steady growth, toll road operations of the Xin Fu Section are expected to enjoy stable development.

**National Highway 106 — the Wen An Section in Hebei Province**

Hebei experienced ongoing rapid economic growth during 2003, generating a GDP of RMB709.54 billion, according to preliminary estimates, which represented an increase of 11.6% over the previous year and the highest growth rate since 1998. The transport industry enjoyed steady development to achieve value-added industrial output of RMB61.52 billion, which represented an increase of 8.4% compared to the previous year. The total length of highways in the Province was 65,391 kilometers, including expressways of 1,681 kilometers, reflecting growth of 3.7% and 5.3%, respectively, over the previous year. Passenger throughput was reduced by 13.3% as a result of the SARS outbreak.



Toll revenue from the Wen An Section in the first six months of 2003 dropped by 15% compared to the same period in the previous year because of the outbreak of SARS. However, traffic flow resumed growth in the second half of the year given rapid development of the economy and transport industry in Hebei Province, coupled with the full completion of the relocation of toll stations. During the period under review AADT was 12,399 vehicles, which represented an increase of approximately 10% compared with 11,263 vehicles in the previous year. Toll receipts for this period were RMB37,088,000, representing an increase of around 3% compared with RMB36,118,000 for the corresponding period in the previous year. With the ongoing growth of Hebei Province's economy and the development of the transport industry, increasing traffic along the Wen An Section is expected in the future.

The relocation of toll stations along the Wen An Section, as required by the government, was fully completed. As compensation for the cost and expenditure incurred and the loss in revenue as a result of the relocation, Langfang Tongda Highway Co., Ltd, a subsidiary of the Company, was given permission to extend its term of joint venture by 10 years. Changes to its business license and approval certificate in relation to the extension have been approved by relevant government departments, while application to relevant government authorities for collection of tolls during the extended term of joint venture is currently in process. Adjustments have also been made to arrangements in highway maintenance and shareholders' loan repayment in light of the extended term of business.

#### **Toll Collection System**

Computer-aided toll collection system for the Wen An toll station came into use in 1998. Such system assisted toll collectors to identify different types of vehicles for toll determination purpose. The toll station's computer-aided toll collection system and closed circuit cameras are supervised by a nearby control post which maintains 24-hour surveillance of all vehicles and toll collection booths and stations in order to ensure normal operation of the toll stations. The manual toll collection systems at the Xinxing and Shizhuang toll stations on the Xin Fu Section were phased out as computer-aided toll systems became fully operational during the period under review, further enhancing the quality of highway services at the Xin Fu Section. The Group has established independent internal audit teams at each Section to closely monitor and ensure the proper running of the toll collection systems.

During the period under review, no adjustment has been made to the toll fees in respect of Xin Fu Section and Wen An Section.

#### **Repairs, Maintenance and Supporting Facilities**

During the period under review, regular repair and maintenance works were carried out in both the Wen An and the Xin Fu Sections. The entities in charge of these respective operations were the Langfang Municipal Communications Bureau and Yancheng Xinfu Highway Company Limited. No major overhaul was undertaken at either Section.

## PROSPECTS

Up to 31st December, 2003, no agreement had been reached in respect of the Chongqing Sino-Portuguese acquisition project. As there are no suitable investment projects for the time being, the net proceeds of approximately RMB36,680,000 from the Company's initial public offerings in 2001 have been temporarily placed as bank deposits. Over the course of the year, the management devoted considerable efforts and resources to approach, study and research a number of infrastructure investment projects that are relevant to the Group's future business plans. Certain key projects have now been selected for further actions. Looking ahead, while strengthening its core highway business, the Group will continue to actively identify new infrastructure investment projects, such as power plants and ports, which will enable the Group to develop a diversified infrastructure investment portfolio. The Group will continue to safeguard its shareholders' interests and enhance better returns on investment for its investors under a proactive yet prudent business development strategy.



The Group's ultimate holding company, Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da") has also participated in the investment in and management and operation of infrastructure facilities. This offers possibilities for collaboration between the Group and Jiangsu Yue Da in the future investment in and management and operation of infrastructure facilities. With the full support of Jiangsu Yue Da, the Group will continue to recruit qualified personnel and professional expertise it needs to pursue infrastructure and public utility projects that offer outstanding potential and high value for the future. The Company remains committed to further enhancing its competitiveness in the key areas of business development and securing higher returns for its investors.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31st December, 2003, the Group's current assets were RMB95,814,000 (2002: RMB70,048,000), of which RMB95,158,000 (2002: RMB69,561,000) were cash on hand. The total net assets of the Group amounted to RMB291,747,000, representing approximately 2.6% increase compared with RMB284,344,000 in the corresponding period of 2002. The gearing ratio (total liabilities/total assets) of the Group was 22% (2002: 23%).

As at the balance sheet date, the share capital of the Group remained the same as the previous year at RMB21,000,000. The Group had a reserve of RMB270,747,000 (2002: RMB263,344,000) and total current liabilities of RMB33,967,000 (2002: RMB33,859,000), of which short-term bank loans amounted to RMB15,000,000. The total non-current liabilities were RMB73,452,000 (2002: RMB76,691,000), of which other long-term borrowings amounted to RMB63,988,000 which in turn included shareholders' loans of RMB20,428,000 which carried interest at 7.488% per annum.

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars, Renminbi and US dollars. As Hong Kong dollars is pegged to United States dollars, and there is no significant fluctuation in the exchange rate between Hong Kong dollars and Renminbi, the Group believes that its risk of exposure to exchange rate is not high.

### Contingent Liabilities and Charge on the Group's Assets

As at 31st December, 2003, the Company had no outstanding guarantee or pledge other than existing guarantees, for RMB15,000,000 in respect of bank loans made to one of its subsidiaries.

### STAFF AND REMUNERATION POLICIES

As of 31st December, 2003, the Group had a total of 295 full-time staff in the PRC and Hong Kong to carry out management, administration and toll collection duties. The management reviewed the remuneration policy regularly on the basis of staff performance and experience, as well as the prevailing practice in the industry. Contributions were made by the Group for its PRC staff in accordance with the relevant regulations in the PRC. Meanwhile an insurance scheme and a mandatory provident fund scheme were maintained for its Hong Kong staff. During the period under review, the Group provided various training programs on the relevant business and skills to its management members and staff at all levels. The Group had not experienced any major difficulties in recruitment, nor had it experienced any material loss in manpower or any material labour dispute.

### REPURCHASE, SALE AND REDEMPTION OF THE SHARES OF THE COMPANY

For the year ended 31st December, 2003, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any shares of the Company.

### THE CODE OF BEST PRACTICE

The board of directors consider that the Company was in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period under review.

### AUDIT COMMITTEE

The Company has formed an audit committee comprising two independent non-executive directors to review, inter alia, matters related to auditing practices, including the financial statements and internal control, so as to protect the interests of shareholders. A meeting of the committee was held on 7th April, 2004 to review the financial statements and connected transactions of the Group.