

Interim Report 2004



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") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June, 2004 (the "Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2004

	Notes	Six months ended	
		30.6.2004 RMB'000 (unaudited)	30.6.2003 RMB'000 (unaudited)
Gross toll revenue		48,151	34,026
Less: Business tax and local government levies		(2,420)	(1,710)
Net toll revenue		45,731	32,316
Operating costs		(22,874)	(17,871)
		22,857	14,445
Other operating income		219	218
Administrative expenses		(7,074)	(6,032)
Profit from operations	4	16,002	8,631
Interest expenses		(1,698)	(1,569)
Profit before tax		14,304	7,062
Income tax expenses	5	(2,279)	(1,358)
Profit before minority interests		12,025	5,704
Minority interests		(2,582)	(580)
Net profit for the period		9,443	5,124
Final dividends paid	6	4,200	4,200
Earnings per share	7		
— Basic		4.7 cents	2.6 cents
— Diluted		4.7 cents	2.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2004

	<i>Notes</i>	30.6.2004 RMB'000 (unaudited)	31.12.2003 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	380,417	392,993
Goodwill		563	643
		380,980	393,636
CURRENT ASSETS			
Deposits and other receivables		915	464
Other investments		585	192
Bank balances and cash		110,591	95,158
		112,091	95,814
CURRENT LIABILITIES			
Accruals and other payables		6,984	7,295
Amount due to a joint venture partner of a subsidiary		2,828	5,457
Taxation payable		2,147	1,064
Unsecured short-term borrowings	9	22,051	20,151
		34,010	33,967
NET CURRENT ASSETS		78,081	61,847
TOTAL ASSETS LESS CURRENT LIABILITIES		459,061	455,483
MINORITY INTERESTS		92,336	90,284
NON-CURRENT LIABILITIES			
Deferred taxation		9,647	9,464
Unsecured long-term borrowings	9	60,088	63,988
		69,735	73,452
NET ASSETS		296,990	291,747
CAPITAL AND RESERVES			
Share capital		21,000	21,000
Reserves		275,990	270,747
SHAREHOLDERS' FUNDS		296,990	291,747

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2004

	Share capital RMB'000	Share premium RMB'000	Non- distributable reserves RMB'000	Special reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1st January, 2003	21,000	15,897	(1,127)	157,178	91,396	284,344
Net profit for the period	—	—	—	—	5,124	5,124
Dividends	—	—	—	—	(4,200)	(4,200)
At 30th June, 2003	21,000	15,897	(1,127)	157,178	92,320	285,268
Net profit for the period	—	—	—	—	6,479	6,479
At 31st December, 2003	21,000	15,897	(1,127)	157,178	98,799	291,747
Net profit for the period	—	—	—	—	9,443	9,443
Dividends	—	—	—	—	(4,200)	(4,200)
At 30th June, 2004	21,000	15,897	(1,127)	157,178	104,042	296,990

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, 2004

	Six months ended	
	30.6.2004	30.6.2003
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	26,248	16,201
Net cash used in investing activities	(1,456)	(2,973)
Net cash used in financing activities	(9,359)	(7,845)
Net increase in cash and cash equivalents	15,433	5,383
Cash and cash equivalents at beginning of the period	95,158	69,561
Cash and cash equivalents at end of the period represented by bank balances and cash	110,591	74,944

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2004

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 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. Principal Accounting Policies

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, 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2004

4. Profit From Operations

	Six months ended	
	30.6.2004	30.6.2003
	RMB'000	RMB'000
Profit from operations has been arrived at after charging (crediting):		
Amortisation of goodwill (included in administrative expenses)	80	81
Depreciation and amortisation of property, plant and equipment	13,458	11,138
(Gain) loss on disposal of property, plant and equipment	(51)	347
Interest income	(156)	(208)

5. Income Tax Expenses

	Six months ended	
	30.6.2004	30.6.2003
	RMB'000	RMB'000
PRC income tax	2,096	855
Deferred taxation	183	503
	2,279	1,358

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

The Company's PRC subsidiaries were subject to PRC national income tax at the tax rate of 15% for both periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2004

5. Income Tax Expenses (continued)

In addition, a PRC subsidiary is entitled to an exemption from the local income tax during the five years ended 31st December, 2002, followed by a 50% tax relief for the next five years. The reduced tax rate for the relief period is 1.5%. Accordingly, the PRC subsidiary is subject to a local income tax at the reduced rate of 1.5% commencing 2003. The other PRC subsidiary is not subject to such a local income tax.

The effective income tax rate of the Group for the current period is 16% (six months ended 30th June, 2003: 19%). 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.

6. Final Dividends Paid

During the period, a dividend of HK\$0.02 (six months ended 30th June, 2003: HK\$0.02) per share was paid to shareholders as the final dividend for the year ended 31st December, 2003.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2004

7. Earnings Per Share

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

	Six months ended	
	30.6.2004	30.6.2003
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	9,443	5,124
	'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	1,664	431
Number of ordinary shares for the purposes of diluted earnings per share	201,664	200,431

8. Property, Plant and Equipment

In the current period, the Group has revised the depreciation method prospectively in relation to toll roads and bridges. Depreciation of toll roads and bridges are calculated to write off their carrying values on an units-of-usage basis based on the share of actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group is entitled to operate those roads and bridges. It is the Group's policy to review regularly the projected total traffic volume throughout the operating periods of respective toll roads and bridges by reference to independent traffic studies. The latest independent traffic studies were completed in August 2004.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2004

8. Property, Plant and Equipment (continued)

In prior periods, depreciation of toll roads and bridges was provided on the basis of a sinking fund calculation where annual depreciation amounts compounded at rates ranging from 6% to 8% per annum would equal the cost of the toll highways and bridges at the end of the joint venture period of the relevant company. As a result of the revisions of the depreciation method and the projected total traffic volume, the net profit for the six months ended 30th June, 2004 has been decreased by approximately RMB1.2 million.

9. Unsecured Borrowings

During the period, the Group renewed short-term bank borrowings in the amount of RMB15,000,000 for general working capital purposes. At 30th June, 2004, the total outstanding amount of the short-term bank borrowings was RMB15,000,000 (31st December, 2003: RMB15,000,000).

Included in the unsecured borrowings at 30th June, 2004 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 RMB23,579,000 (31st December, 2003: RMB25,579,000) of which RMB7,051,000 (31st December, 2003: RMB5,151,000) is due within the next twelve months and is classified as a short-term borrowing accordingly.

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, 2004, the outstanding amount of the loan from the joint venture partner of the subsidiary was RMB43,560,000 (31st December, 2003: RMB43,560,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2004

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	
		30.6.2004 RMB'000	30.6.2003 RMB'000
Fellow subsidiary	Rentals paid on land and buildings	504	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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

Turnover of the Group for the Period was RMB48,151,000, an increase of approximately 42% over RMB34,026,000 for the corresponding period of last year. Unaudited profit attributable to shareholders was RMB9,443,000, an increase of approximately 84% over RMB5,124,000 for the corresponding period of last year. Basic earnings per share was RMB4.7 cents, an increase of approximately 81% over RMB2.6 cents for the corresponding period of last year.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Period.

Business Review

Overview

Turnover of the Group is primarily derived from toll revenue of 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, operating revenue of the Xin Fu Section and the Wen An Section were approximately RMB24,010,000 and RMB24,141,000 respectively, each accounting for roughly half of the total turnover, as compared to 53% and 47% respectively for the corresponding period of last year. Increase in the proportions of revenue contribution from the Wen An Section was primarily due to the larger decrease in revenue last year as a result of the impact of severe acute respiratory syndrome (“SARS”) in respect of this section.

During the Period, traffic flows of both Sections recorded substantial growth over the corresponding period of last year, which was primarily attributed to the sustained economic growth of both places where the Sections are located as well as the enhanced internal management of the Group. Given the ramp-up efforts on inspection of overloaded vehicles on expressways, one of the reasons for the growth in our toll revenue was the diversion of some of such traffic flows from expressways to national highways. In addition, as traffic flows fell relatively substantially because of SARS during the corresponding period of last year, the growth of traffic flow this year also carried an element of recovery. In view of the sustainable steady growth of the PRC economy, it is expected that the Company’s toll highway business will maintain its stable growth as well.

The Xin Fu Section

Being located in Yancheng, Jiangsu, the Xin Fu Section has two toll collection stations at Xinxing and Shizhuang respectively. During the Period, highway traffic revealed an accelerated development trend with average daily traffic flows amounting to 16,320 vehicles. Toll revenue was RMB24,010,000, an increase of approximately 33% over RMB18,004,000 for the corresponding period of last year. Growth in traffic flow was primarily attributable to the sustained growth of local economy and the growth trend is expected to maintain throughout the year.

The Wen An Section

The Wen An Section, being located in Langfang, Hebei and in close proximity to Beijing, has a toll collection station at Wen An. During the Period, vehicle flows surged significantly with average daily traffic flows amounting to 15,367 vehicles. Toll revenue was RMB24,141,000, representing an increase of approximately 51% over RMB16,022,000 for the corresponding period of last year. Despite the fact that vehicle flows fell due to SARS during the corresponding period of last year, the sustained growth trend in the second half of last year persisted during the Period. With the ongoing growth of the economy of Hebei, it is expected that the traffic on the Wen An Section will continue to develop.

Toll collection system

Computer-aided toll collection and monitoring systems for both Sections were in use during the Period, which gave further assurance to the operating quality of the toll highway business. During the period, none of the toll fees of either Sections was adjusted. A toll-by-weight proposal of the Xinxing toll station is in the process of being finalised which may further enhance the toll collection level of such station.

Repairs, maintenance and support facilities

During the Period, regular repair and maintenance work was carried out to ensure the quality of both Sections. However, no major maintenance work was performed at either Section. It is expected that some localised maintenance work will be carried out on the Xin Fu Section during the second half of the year.

Prospects

As of 30 June, 2004, in view of the changes in the collection mode of the Chongqing Sino-Portuguese Bridge Company Limited, no agreement has been reached in respect of the Chongqing Sino-Portuguese acquisition project. Accordingly, net proceeds of approximately RMB36,680,000 from the Company's initial public offering have been placed as bank deposits.

During the Period, the management devoted considerable efforts and resources to approach and discuss on a number of infrastructure investment projects with further follow-up actions being carried out. In addition, as the Group's ultimate holding company, Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), is also engaged in the investment in, management and operation of infrastructure facilities, this offers possibilities for collaboration between the Group and Jiangsu Yue Da in the future investment in, management and operation of 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 and ports, for development into a diversified infrastructure investment portfolio so as to further enhance the competitiveness of the Company's business development, to safeguard shareholders' interests and to secure higher returns for its investors.

Liquidity and Financial Resources

As at 30 June, 2004, the Group's total current assets were RMB112,091,000, of which bank and cash balances were RMB110,591,000; total current liabilities were RMB34,010,000, of which short term bank loans were RMB15,000,000 and total non-current liabilities were RMB69,735,000. The Group's total net assets amounted to RMB296,990,000 with its gearing ratio (total liabilities over total assets) stood at 21%.

As at 30 June, 2004, the Company did not have any outstanding guarantees and charges, or any material contingent liabilities.

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars, Renminbi and US dollars. As Hong Kong dollar is pegged to US dollars with no significant fluctuation in exchange rates between Hong Kong dollars and Renminbi, the Group believes that its exposure to exchange rate risk is minimal.

Employee and Remuneration Policy

As of 30 June, 2004, the Group had a total of 293 full-time employees engaged in management, administration and toll collection functions in Hong Kong and the PRC. The management reviews the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practice. The Group also provides various training courses on relevant business or skills for the management and staff at all levels. Pension contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also effected for its Hong Kong staff.

Repurchase, Sale and Redemption of the Company's Shares

During the Period, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's shares.

Code of Best Practice

The Board considers that the Group was in full compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules during the Period.

Audit Committee

The Company's audit committee reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial statements and discussed matters relating to internal control and financial reporting with the management.

OTHER INFORMATION

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, 2004, 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)

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 29th April, 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.

Substantial Shareholders Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30th June, 2004, 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 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. As at the end of the period, details of the outstanding options granted by the Company are as follows:

Names and classes of the participants	Exercisable period (note)	Exercise price per share (HK\$)	Number of options outstanding as at 30th June, 2004	Closing price per share immediately preceding to date of grant (HK\$)
Directors			5,250,000	
Hu You Lin	16-5-2003 to 28-4-2013	0.40	1,980,000	0.40
Shi Jun	16-5-2003 to 28-4-2013	0.40	1,230,000	0.40
Lu Wei Dong	16-5-2003 to 28-4-2013	0.40	1,020,000	0.40
Dong Li Yong	16-5-2003 to 28-4-2013	0.40	1,020,000	0.40
Employees			1,260,000	
In aggregate	9-5-2003 to 28-4-2013	0.40	1,260,000	0.40
Others	16-5-2003 to 28-4-2013	0.40	1,650,000	0.40
Total			8,160,000	

Note: The date of grant of the options was 29th April, 2003 (The date which the Company granted the option offers to qualified participants pursuant to the scheme). The commencement dates of the exercisable periods mentioned above represent the date of acceptance of the offer of respective participants. Pursuant to the scheme, the date of expiry of exercisable period is the tenth anniversary (i.e. 28th April, 2013) of the date of grant.

No options have been exercised during the period. The company had not granted any option. Options would be recognized upon exercise.

At the date of this report, the Board of the Company comprises:

<u>Executive directors</u>	<u>Non-executive directors</u>	<u>Independent non-executive directors</u>
Hu You Lin	Shi Jun	Cai Chuan Bing
Gao Yi Shan	Dong Li Yong	Yu Chor Woon, Carol
Lu Wei Dong, David	Shen Xiao Zhong	Yu Zheng Hua
Wang Pei Ping		

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

Hong Kong, 16th September, 2004