



KO Yuk Bing
*Managing Director and
Chief Executive Officer*

2004 Results

In 2004, the Group's net profit amounted to HK\$368.8 million (2003: HK\$322.7 million), representing an increase of 14.3% (as restated). Earnings per share increased by 12.5% to HK63 cents.

Business Review

The principal activity that the Group engaged in is investment, development and management of toll road projects in China.

In 2004, the total traffic volume and toll revenue of the Group's projects were 128 million vehicles and RMB1.89 billion respectively, representing an increase of 19% and 31% compared to those in 2003. Excluding the contribution from the Baoding-Tianjin Expressway project (this project commenced operation since October 2003), the 2004 total traffic volume and toll revenue of the Group both reported a growth of 17% over those of 2003.

Along with the robust economic growth and the surging car ownership in China, the traffic flow in China's toll roads increased vigorously in 2004. Despite the mounting of diversion from some of the Group's open-ended toll roads, traffic volume and toll revenue of those projects recorded moderate growth and satisfactory results. The performance of the Group's expressway projects was even delightful. The Group believed that this high growth phenomenon would persist. During the year, in some regions, strict measures on circumventing overloading vehicles were carried out; policies to raise road safety standard were implemented; toll-by-weight tariff systems were employed; or toll adjustments on heavy vehicles were required. All these policies and measures have affected the performance of some of the toll roads in the short run. But in the long run, these policies would benefit the operation and management of toll roads.

During the year, the Group and the PRC party of the Guangzhou-Sanshui Expressway project reached an agreement to amend the terms regarding the payment of minimum income undertakings owed by the PRC party in accordance with the joint venture agreement. According to the new arrangement, the Group enjoys a higher profit sharing ratio than its equity interest in this project in the coming three years. This arrangement secured the Group's required return in this project.

Following the Group's long-term development strategy, the Group has been conducting synergistic studies on some of its existing projects. In January 2005, the Group disposed its interest of Changzhou-Caoqiao highway project in Jiangsu Province to a PRC third party. The disposal was approved, and the transaction and its related procedures are expected to be completed in the first half of 2005.

In relation to the Group's arbitration plea requesting the PRC joint venture partners and related parties of Yulin City projects in Guangxi Zhuang Autonomous Region to honor the joint venture contracts and related agreements, it is expected that the arbitration result will be announced in the first half of 2005.

In 2004, the Group reached an agreement with the PRC joint venture partners to acquire 45% equity interest in Tangshan-Tianjin Expressway in Hebei Province. The transaction has already obtained relevant government authorities' approval. The project has started contributing profit to the Group since February 2005.

During the year, the Group signed a preliminary conditional agreement to construct, operate and manage the Hefei-Yeji Expressway in Anhui Province. The Group is now in the process of preparing the detailed co-operative terms and conditions of the contract. The conclusion of this project would be subject to reaching agreement with the PRC party on all the details of the co-operation and the final approval from the Board of Directors.

After extensive explorations and preparations, the Group commenced its China property development business in Guangzhou. The first property project was already under construction. Other projects were also under preparation. At the same time, the Group successfully secured several projects in Wujin District, Changzhou, Jiangsu Province. It is expected that the Group's property business will start contributing profit to the Group in 2006.

The Group's non-core business – Chai-Na-Ta Corp, the world's largest supplier of North American ginseng was also making healthy progress.

Financial Review

Liquidity and Financial Resources

As at 31 December 2004, the net asset value of the Group increased to HK\$4.97 billion (2003: HK\$4.73 billion) and the net asset value per share was HK\$8.48 (2003: HK\$8.10). The Group's total assets reached HK7 billion (2003: HK\$5.86 billion) and the cash and bank balance amounted to HK\$1.57 billion (2003: HK\$488 million). During 2004, the Group's cash flows generated from toll road business amounted to HK\$687 million.

Financing Activities

The Group continued to adopt prudent financial policies in cash management and bank borrowing. During 2004, the Group underwent certain debt refinancing exercises to achieve better cash management objective and to reduce the cost of borrowings. In April 2004, the Group arranged a 5-year US dollar denominated revolving and term facility of US\$120 million. In July 2004, the Group redeemed its US dollar denominated guaranteed notes due in 2007, with coupon rate 9.50% p.a. At the same time, the Group successfully issued the 7-year US dollar denominated guaranteed notes of US\$200 million, with coupon rate of 6.25% p.a..

Capital and Liabilities Structure

As at 31 December 2004, the Group's consolidated borrowings and net borrowings were HK\$1.91 billion and HK\$343 million respectively. Gearing ratio was 38%, while the net gearing ratio was 7%. The Group's major outstanding borrowings included US dollar denominated guaranteed notes with outstanding balance equivalents to HK\$1.56

billion, HK dollar denominated loan facilities with an outstanding balance of HK\$306 million (already fully repaid in January 2005), and Canadian dollar denominated loan facilities with an outstanding balance equivalent to HK\$47 million. As at 31 December 2004, the total loan facilities available to the Group amounted to HK\$1.04 billion. The maturity profile of the Group's borrowings as at 31 December 2004 is as follows:

Year of Maturity	HK\$ million
Within one year	133
In 1 to 2 years	87
In 2 to 5 years	133
More than 5 years	1,559

In 2004, a Baa2 rating was first assigned to the Group by Moody's. Standard and Poor's also reaffirmed the Group's BBB- corporate rating with a stable outlook.

Finance Costs and Interest Rate

The total finance costs of the Group in 2004 amounted to HK\$103 million. Other than the fixed-rate US dollar denominated guaranteed notes, all borrowings of the Group are on floating-rate basis.

Capital Commitments and Contingent Liabilities

As at 31 December 2004, the Group's major capital commitments were approximately HK\$74 million. Of which, HK\$40 million is required in 2005, and the remaining will be required after the fifth year.

As at 31 December 2004, the Group had no contingent liabilities.

Charges on the Group Assets

As at 31 December 2004, total charged deposits of the Group were approximately HK\$44 million, which were mainly for the HK Dollar denominated facilities.

For the Canadian dollar financing, the credit facilities were secured by inventories and certain real properties of an overseas subsidiary.

Foreign Exchange Exposure

The Group maintained a conservative treasury policy to minimize exposure to foreign exchange risks. As the Group's reporting currency is HK Dollar and borrowing is mainly denominated in US dollar, the Group held majority of bank deposits in US and HK dollars. Meanwhile, the cash flow generated from the projects is denominated mainly in Renminbi. Under current condition, it is beneficial to the Group's treasury situation.

Litigation and Arbitration

Other than the arbitration plea requesting the PRC joint venture partners and related parties of Yulin City projects in Guangxi Zhuang Autonomous Region to honor the joint venture contracts and related agreements, there was no material litigation and arbitration for the Company, its subsidiaries and jointly controlled entities.

Corporate Governance

The Company believes that a high standard of corporate governance and transparency is of vital importance. The Group's Audit Committee and Remuneration Committee are mainly constituted by Independent Non-executive Directors. They supervised the Group's management and control on the matters of finance, operation, as well as the employees' and Directors' remuneration.

Employees

Excluding the staff of joint ventures, the total number of employees in the Group was 214 as at 31 December 2004. Expenditure on staff (excluding emoluments of the directors) amounted to HK\$40 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover, training program, as well as a share option scheme. In 2004, 14,090,000 share options were granted to employees under the Group's share option scheme.

Outlook

In 2004, the excellent result of the Group's toll road business is encouraging. It is believed that this good result will persist in the year of 2005. The Group will continue to put emphasis on the efficiency and effectiveness of toll collection management and road maintenance, in order to secure both the Group's short and long-term returns.

The contribution of road network to China's economic development is undeniable. The announcement of the RMB2,000 billion plan for China's road network system by the Chinese Government was a gratifying signal to toll road investors. In 2005, the Group will even be more active in searching and securing potential expressway projects with lucrative returns. Simultaneously, the Group will continue to make suitable adjustments on its existing project portfolio to synchronize with the Group's long-term business development strategy.

After thorough analyses and thoughts, the Group believes that it is well prepared to start the property development business in China. In 2005, the Group is committed to put its best efforts on the development of the acquired property projects. By developing a competent and professional property development team and by the building of an operating model, the Group will develop the property development business cautiously and prudently to ensure its profit contribution commencing from 2006.

The Group's management is delighted for the Group's achievements. As in the past, the Group will continue to work hard with strong determination to strive for the future development.

Acknowledgement

I would like to extend my gratitude to our business partners, shareholders and my colleague for their continuous support and contribution to the Group.

Ko Yuk Bing

Managing Director & CEO

Hong Kong, 1 April 2005