

FINANCIAL HIGHLIGHTS

Turnover of the Group for the year ended 31st December, 2005 amounted to RMB102,392,000, representing an increase of approximately 10% over RMB93,188,000 for the corresponding period of last year. Audited profit attributable to shareholders amounted to RMB19,464,000, representing an increase of approximately 41% over RMB13,805,000 for the corresponding period of last year. Basic earnings per share was RMB9.7 cents, representing an increase of approximately 41% over RMB6.9 cents for the corresponding period of last year.

DIVIDEND

The Board did not recommend the payment of final dividend for the year.

BUSINESS REVIEW

Overview

Turnover of the Group was derived from toll revenues of the National Highway 204 — the Xin Fu Section (the “Xin Fu Section”) and National Highway 106 — the Wen An Section (the “Wen An Section”). During the year, operating revenues of the Xin Fu Section and the Wen An Section amounted to approximately RMB53,104,000 and RMB49,288,000 respectively, accounting for about 52% and 48% of the total operating revenue of RMB102,392,000, which proportions were of a similar level for the corresponding period of last year.

During the year, vehicular traffic flow continued to grow but the rate of growth slowed down. The Group recorded an increase in both turnover and net profit as compared to last year. The growth rate of net profit was higher than that of turnover. Such higher growth rate of net profit was mainly due to the operating costs for the year did not experience the same growth rate of the turnover. The adoption of new accounting policies, however, entailed provision for imputed interests, hence an increase in interest expenses. The Board expects highway traffic flow to continue to increase as the PRC economy is expect to continue to have stable growth. Nevertheless, the growth rate of highway traffic flow is likely to be adversely affected by factors such as the opening of new highways and traffic diversion caused by the use of other means of transportation.

National Highway 204 — the Xin Fu Section in Jiangsu Province

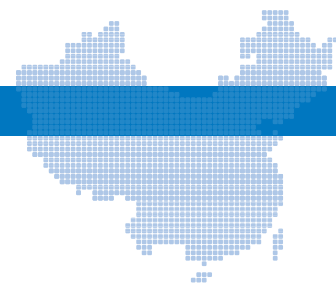
In 2005, Jiangsu Province experienced a stable and rapid economic growth. According to preliminary estimates, the province’s annual GDP amounted to RMB1,827.212 billion, representing some 14.5% growth as compared with last year. Transport and logistics industry generally saw a rapid growth. Annual passenger flow reached 1.48 billion persons and the annual cargo throughput reached 1.134 billion tones, representing a growth of about 15.2% and 13.3% respectively over the last year. The annual passenger turnover reached 126.616 billion passengers-kilometres and the annual cargo-turnover reached 306.372 billion ton-kilometres, representing the increase of 14.2% and 27.8% respectively. At the end of the year, the total length of highways in the province increased by 9,657 kilometers to 82,739 kilometers.

Being located in Yancheng, Jiangsu Province, the Xin Fu Section has two toll collection stations at Shizhuang and Xinxing respectively. In line with the growth in the economy and in the transport industry in Jiangsu Province, vehicle flows continued to grow and the annualized average daily traffic (AADT) of the Xin Fu Section grew by approximately 5% to 16,458 vehicles as compared with 15,690 vehicles in the previous year. Operating revenues amounted to approximately RMB53,104,000, representing an increase of nearly 14% over RMB46,737,000 for the corresponding period of the previous year. The growth rate of vehicle flows and toll revenue, however, slowed down as compared with the previous year. Traffic diversion caused by other highways and the competition from other means of transportation are expected to impact on the toll collection business of the Xin Fu Section.

National Highway 106 — the Wen An Section in Hebei Province

Hebei experienced stable and rapid economic growth, with its total economic output achieving a new milestone. According to preliminary estimates, the province's GDP amounted to RMB1,011.66 billion in 2005, which represented a growth of 13.4% over the previous year and the highest growth rate since 1997. The transport and logistics industry enjoyed a fast development. Its annual cargo throughout achieved an increase of 29.3% to 475.06 billion ton-kilometres and while its annual passenger flow attained an increase of 4.7% to 98.98 billion passengers-kilometres as compared to the previous year. The total length of highways in the province was 75,894 kilometers, including expressways with a total length of 2,135 kilometers. During the year, construction of new expressways with a total length of 429.6 kilometers was completed.





The Wen An Section, being located in Langfang, Hebei and in the neighbourhood of Beijing, has a toll collection station at Wen An. In line with the rapid development of the economy and transport industry in Hebei Province, vehicle flows continued to grow with AADT of the year 2005 reaching 15,018 vehicles, which represented an increase of approximately 2% as compared to 14,725 vehicles in the corresponding period of last year. Operating revenue was RMB49,288,000, representing an increase of approximately 6% over RMB46,451,000 for the corresponding period of the previous year. The growth rate of vehicle flows and toll revenue slowed down as compared with the last year. With the keen competition from the nearby highways which result in traffic diversion, future development of the toll collection business of the Wen An Section is expect to experience a high level of pressure.

Toll collection system

Computer-aided toll collection systems have been installed and implemented for the toll stations of both the Xin Fu Section and the Wen An Section. Such systems assisted toll collectors to identify different types of vehicles for toll collection purpose. The entire computer system and the cameras at the toll stations are linked with a nearby control post which maintains 24-hour surveillance of all lanes, toll collection booths and stations. Such arrangements ensure smooth running of the toll stations. The Group has established independent internal audit teams at both Sections to closely monitor and ensure the proper running of the toll collection system.

During the year, in compliance with the government requirements, adjustment was made to toll fees for large vehicles using the Xin Fu Section or the Wen An Section. The adjustment resulted in decrease in toll revenues for vehicles falling under that category.

Repairs, maintenance and support facilities

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

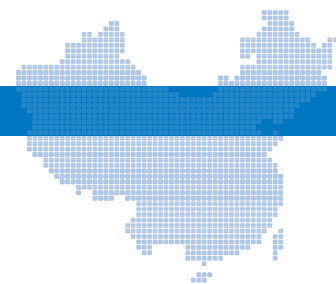
Use of proceeds from the Listing and Outlook

As of 31st December, 2005, no agreement had been reached in respect of the Chongqing Sino-Portuguese acquisition project as mentioned in the Company's prospectus issued in November 2001. The net proceeds of approximately RMB36,680,000 from the Company's initial public offerings have been temporarily placed as bank deposits. As mentioned in the Company's announcement dated 10th April, 2006, on 30th March, 2006, Yue Da Mining Limited (as purchaser), a wholly-owned subsidiary of the Company, and (among other parties) Feilong Holdings Limited (as vendor), entered into a conditional Share and Shareholders' Loans Acquisition Agreement. Under such acquisition agreement, Yue Da Mining Limited has conditionally agreed to acquire from Feilong Holdings Limited the share capital in (and the related shareholder's loans to) each of Yuelong Limited, Yuelong (Puer) Limited and Yuelong (Yaoan) Limited. If the acquisition transaction ("Yuelong Transaction") is completed, the Company will obtain indirectly some 52% equity interest in the registered capital of three zinc and lead

mining companies established in Yunnan Province. Under the acquisition agreement, the consideration for the Yuelong Transaction was RMB300 million (equivalent to approximately HK\$288.5 million). The consideration is to be satisfied as to HK\$75 million by the issue of the convertible bonds by the Company; as to HK\$75 million by issue of promissory notes which will be paid in installments over a period of 3 years after the completion of the transaction; and as to the remaining balance of about HK\$138.5 million in cash within 10 days after completion of the transaction. The circular to the Company's shareholders in connection with the Yuelong Transaction is in preparation and after the despatch of such circular, the Company will convene a general meeting of shareholders to consider and (if thought appropriate) approve the Yuelong Transaction. If such shareholders' approval is obtained, the said net proceeds from the Company's initial public offerings will be applied to settle part of the consideration for the Yuelong Transaction.

The prices of metals such as lead and zinc have been rising over the past years. The Directors believe that the demand for metals such as lead and zinc will be considerable given the rapid growth of the PRC economy and the expected growth in consumption of lead and zinc in the PRC. As the production capacity of metal smelting has been increasing, demands for metal ore concentrates are expected to increase rapidly. Currently, the market demand for lead and zinc ore concentrates generally exceeds their supply. Upstream enterprises carrying on mining and processing of metal ores are generally in a stronger bargaining position. The high profits brought by the increase in metal prices are generally enjoyed by enterprises which own mines and at the same time carry on mining and processing activities. The Directors expect that the metal mining investment projects will bring a high return for the Group.





Many highways were constructed in China in recent years. It is more difficult to identify new toll road projects of an appropriate size but with high returns. As such, although the toll roads managed and operated by the Group still bring sizable cashflows for the Group, the Directors consider that such status may not be maintained in the future. In addition, with the extensive use of the toll roads, more medium or large scale repair and maintenance may become necessary, which would increase the Group's operating costs and affect the net profit of the Group in the future. As a result, the Group's returns attributable to its toll roads may decrease gradually.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31st December, 2005, the Group's current assets as at the balance sheet date were RMB153,755,000 (2004: RMB131,565,000), of which RMB151,311,000 (2004: RMB130,784,000) were cash on hand. The net asset value of the Group amounted to RMB426,680,000, representing approximately 8% increase as compared with RMB395,411,000 in the corresponding period of 2004. The gearing ratio (total liabilities/total assets) of the Group was approximately 14% (2004: 21%).

As at the balance sheet date, the share capital of the Group remained the same as the corresponding period of the previous year at RMB21,000,000. The Group had a reserve of RMB304,466,000 (2004: RMB280,352,000) and total current liabilities of RMB21,836,000 (2004: 37,483,000). The total non-current liabilities amounted to RMB45,122,000 (2004: RMB65,295,000), of which other long-term borrowings were RMB35,136,000 which in turn included shareholders' loans of RMB4,501,000 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. Most transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is low.

Contingent Liabilities and Charge on the Group's Assets

As at 31st December, 2005, the Group did not have any outstanding guarantees and charges, or any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As of 31st December, 2005, the Group had a total of 303 full-time employees engaged in management, administration and toll collection functions in Hong Kong and the PRC. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practice. Social insurance contributions were made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the year under

review, the Group provided various training courses on relevant business or skills for the management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31st December, 2005, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's shares.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that the Group has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year, except for the following:

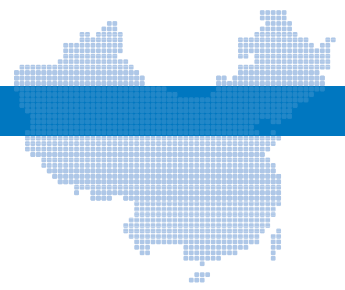
- (i) The Chairman of the Board was unable to attend the annual general meeting of the Company but one of the Executive Directors of the Company was present to chair the meeting;
- (ii) Non-Executive Directors did not have any fixed term of appointment, but they were subject to retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the provision of the Articles of Association of the Company;
- (iii) The Chairman of the board of Directors and the Managing Director are not subject to the said requirement of retirement by rotation and re-election, and amendments have been proposed to be made to the Company's articles of association to be considered and (if thought appropriate) approved by the shareholders at the coming annual general meeting. If such amendments are approved, the Chairman and the Managing Director will be subject to the said requirement of retirement by rotation and re-election, which is currently applicable to other directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors ("Model Code") set out in Appendix 10 to the Listing Rules. All the Directors, in response to the specific enquiries made by the Company, confirmed that they complied with the requirements set out in the Model Code throughout the year.

AUDIT COMMITTEE

The Company's audit committee comprises of Mr. Cai Chuan Bing and Ms. Yu Chor Woon, Carol (both being independent non-executive directors) and Mr. Shen Xiao Zhong (being a non-executive director). Its duties include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. At a meeting held on 18th April, 2006, the audit committee reviewed the accounting principles and practices adopted by the Group, the 2005 audited financial statements and connected transactions and they discussed matters relating to audit, internal control and financial reporting with the management.



REMUNERATION COMMITTEE

The Company has set up with written terms of reference a remuneration committee, whose members are Mr. Yu Zheng Hua and Mr. Cai Chuan Bing (both being independent non-executive Directors) and Mr. Gao Yi Shan (an executive Director). Regular meetings were held by the committee, which reviewed and deliberated on the remuneration policy, remuneration levels, the remuneration of executive Directors and related matters of the Company.