

The board of directors presents its annual report and the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are the management and operation of highways in the People's Republic of China.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 34.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 70.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 20 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution which represent the share premium, contributed surplus and retained profits to shareholders as at 31st December, 2005, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, was RMB253,279,000 (2004: RMB253,157,000).

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Hu You Lin (*Chairman*)

Mr. Gao Yi Shan (*Vice-Chairman and Managing Director*)

Mr. Dong Li Yong (formerly a non-executive director and re-designated as Vice Managing Director on 8th June, 2005)

Mr. Lu Wei Dong, David (*Vice Managing Director*)

Ms. Wang Pei Ping (*Vice Managing Director*)

Non-executive directors:

Mr. Shen Xiao Zhong

Mr. Pan Wan Qu (appointed on 8th June, 2005)

Mr. Shi Jun (resigned on 8th June, 2005)

Independent non-executive directors:

Mr. Cai Chuan Bing

Ms. Yu Chor Woon, Carol

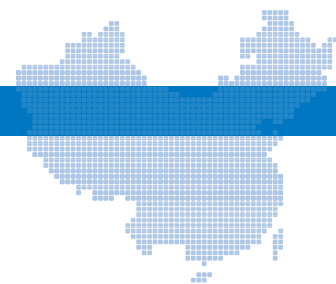
Mr. Yu Zheng Hua

In accordance with Article 108(A) of the Company's Articles of Association, Mr. Hu You Lin and Mr. Gao Yi Shan, being the Chairman and the Managing Director of the Company, respectively, are not required to retire by rotation and Ms. Wang Pei Ping, who will cease to act as a Vice Managing Director after her retirement, Ms. Yu Chor Woon, Carol and Mr. Shen Xiao Zhong retire by rotation. Ms. Yu and Mr. Shen, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Under Article 112 of the Company's Articles of Association, Mr. Pan Wan Qu, who was appointed by the directors as additional director and/or to fill casual vacancy, will hold office until the forthcoming annual general meeting. Mr. Pan, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office of each of the non-executive directors and the independent non-executive directors is the period up to his/her retirement by rotation as required by the Company's Articles of Association.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Other than the directors' interests in share options to subscribe for shares in the Company as disclosed under the section headed "Share Options" below, at 31st December, 2005, none of the directors, nor chief executive, nor their associates had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted by a written resolution passed on 12th November, 2001 for the purpose of providing incentives or rewards to selected participants for their contribution to the Group and will expire on 11th November, 2011. Under the Scheme, the directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of the Company:

- (i) any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- (vii) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

SHARE OPTIONS (continued)

and, for the purposes of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of shares of the Company or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the directors otherwise determined, be construed as a grant of option under the Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or any of its subsidiaries) in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Group is not permitted to exceed 10% of the shares of the Company in issue at any point in time (representing 20 million shares of the 200 million shares in issue at the date of this report), without prior approval from the Company's shareholders.

The number of shares in respect of which options may be granted to any participant in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to directors, chief executives or substantial shareholders of the Company or any of their respective associates must be approved by independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations on the date of the offer for grant; (ii) the average closing price of shares as stated in the daily quotations of the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

Further particulars of the Company's share option scheme are set out in note 23 to the financial statements.

SHARE OPTIONS (continued)

Details of movements during the year in the options granted by the Company under the Scheme are as follows:

Names and classes of the participants	Exercisable period (note)	Exercise price per share HK\$	Outstanding at 1st January, 2005	Granted during the year	Outstanding at 31st December, 2005	Closing price per share immediately before the date of grant HK\$
<i>Directors of the Company:</i>						
Mr. Hu You Lin	16th May, 2003 to 28th April, 2013	0.40	1,980,000	—	1,980,000	0.40
	12th October, 2005 to 25th September, 2015	0.53	—	1,980,000	1,980,000	0.53
Mr. Lu Wei Dong, David	16th May, 2003 to 28th April, 2013	0.40	1,020,000	—	1,020,000	0.40
	12th October, 2005 to 25th September, 2015	0.53	—	600,000	600,000	0.53
Mr. Shi Jun*	16th May, 2003 to 28th April, 2013	0.40	1,230,000	—	1,230,000	0.40
Mr. Dong Li Yong	16th May, 2003 to 28th April, 2013	0.40	1,020,000	—	1,020,000	0.40
	12th October, 2005 to 25th September, 2015	0.53	—	1,200,000	1,200,000	0.53
Mr. Gao Yi Shan	12th October, 2005 to 25th September, 2015	0.53	—	1,200,000	1,200,000	0.53
Ms. Wang Pei Pang	12th October, 2005 to 25th September, 2015	0.53	—	600,000	600,000	0.53
Mr. Pan Wan Qu**	12th October, 2005 to 25th September, 2015	0.53	—	510,000	510,000	0.53
Mr. Shen Xiao Zhong	12th October, 2005 to 25th September, 2015	0.53	—	390,000	390,000	0.53
Total for directors of the Company			5,250,000	6,480,000	11,730,000	
<i>Other employees of the Company:</i>						
In aggregate	9th May, 2003 to 28th April, 2013	0.40	1,260,000	—	1,260,000	0.40
	12th October, 2005 to 25th September, 2015	0.53	—	1,140,000	1,140,000	0.53
Total for other employees of the Company			1,260,000	1,140,000	2,400,000	
<i>Other employees of the subsidiary</i>						
In aggregate	16th May, 2003 to 28th April, 2013	0.40	1,650,000	—	1,650,000	0.40
	12th October, 2005 to 25th September, 2015	0.53	—	300,000	300,000	0.53
Total for other employees of the subsidiary			1,650,000	300,000	1,950,000	
Total			8,160,000	7,920,000	16,080,000	

SHARE OPTIONS (continued)

Note: For options granted by the Company to subscribe for shares in the Company, the date of grant (i.e. the date of offer of grant of such options to those persons so entitled under the Scheme) of all of them was 29th April, 2003 and 26th September, 2005 respectively. The commencement dates of the exercisable period set out in the above table are the dates of acceptance of the offers by the respective participants, while the expiry dates are the dates of expiry (i.e. 28th April, 2013 and 25th September, 2015) of a 10-year period from the date of grant as provided under the rules of the Scheme.

* Mr. Shi Jun resigned from a director on 8th June, 2005

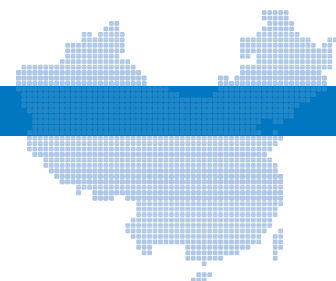
** Mr. Pan Wan Qu was appointed as a director on 8th June, 2005

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options" above, at no time during the year was the Company, its subsidiaries, its holding companies or any subsidiaries of its holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its subsidiaries, its holding companies or any subsidiaries of its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



CONNECTED TRANSACTIONS

Details of the discloseable connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") for the year and balances with the connected persons as at 31st December, 2005 are set out as below:

	RMB'000
Yue Da Enterprise Group (H.K.) Company Limited, a fellow subsidiary of the Company	
Rentals paid on buildings by the Group (note a)	914
Jiangsu Yueda Investment Co., Ltd. Yueda International Hotel, an associate of ultimate holding company	
Rentals paid on buildings by the Group (note a)	500
Other payable by the Group (note e)	140
Langfang Transport and Highway Engineering Company Limited ("Langfang Transport"), a minority shareholder of the Group	
Interest charged to the Group (note b)	1,225
Amount due to a minority shareholder by the Group (note e)	119
Unsecured long-term borrowings owed by the Group (note f)	9,496
Langfang Municipal Communications Bureau, a holding company of Langfang Transport and Highway Engineering Company Limited	
Repairs and maintenance charges paid by the Group (note c)	7,782
Amount due to a related company by the Group (note e)	2,040
Yancheng Xinfu Highway Company Limited ("Yancheng Xinfu"), a minority shareholder of the Group	
Maintenance charges paid by the Group (note d)	1,706
Management fee paid by the Group (note h)	403
Rental paid on buildings by the Group (note a)	80
Amount due to a minority shareholder by the Group (note e)	618
Unsecured long-term borrowings owed by the Group (note g)	32,369
Langfang Tongda Highway Co., Ltd. ("Langfang Tongda"), a non-wholly owned subsidiary of the Company	
Interest charged by another subsidiary of the Group (note b)	1,923
Other payable to another subsidiary of the Group (note e)	507
Unsecured long-term borrowings owed by another subsidiary of the Group (note f)	13,034
Yancheng Tongda Highway Co., Ltd. ("Yancheng Tongda"), a non-wholly owned subsidiary of the Company	
Other receivable from another subsidiary of the Group (note e)	15,822

CONNECTED TRANSACTIONS (continued)

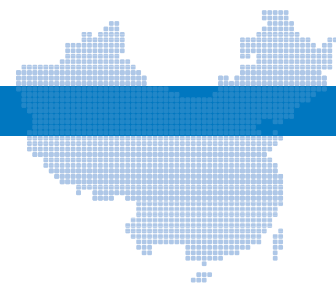
In addition, by a land use agreement entered into on 18th October, 2001 between Yancheng Xinfu, Yancheng Tongda and the Yancheng Land Resources Bureau, the parties agreed and confirmed that Yancheng Tongda has the right to use the land on which the Xin Fu Section of a toll road owned by the Group is situated at no cost for the duration of its joint venture term. By a land use agreement entered into on 3rd April, 2001 between Langfang Transport, Langfang Tongda and the Wen An Country Land Administration Bureau, the parties agreed and confirmed that Langfang Tongda has the right to use the land on which the Wen An Section of a toll road owned by the Group is situated at no cost for the duration of its joint venture term.

Notes:

- (a) The rentals were charged in accordance with the relevant tenancy agreement.
- (b) The interest was charged at 7.488% per annum on the outstanding principal.
- (c) The repairs and maintenance charges in respect of the relevant toll highway were charged at 15% of the total amount of gross toll collected.
- (d) The maintenance charges in respect of the relevant toll highway were RMB20,000 per kilometre each year starting from 1997, with annual increment of RMB2,000 per kilometre.
- (e) The amount is unsecured, interest-free and repayable on demand.
- (f) The loan is unsecured, carries interest at 7.488% per annum and is repayable in accordance with the terms of the relevant agreement.
- (g) The loan is unsecured, interest-free and is repayable in accordance with the terms of the relevant agreement.
- (h) The management fee in respect of the relevant toll highway was charged at 1.5% of the total amount of gross toll collected.

Pursuant to Rule 14A.38 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board of Directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms, or on terms no less favourable than terms available to or from (as the case may be) independent third parties; and,



CONNECTED TRANSACTIONS (continued)

(iii) in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders, at 31st December, 2005, maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance showed that the following persons had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yue Da Group (H.K.) Co., Limited	Beneficial owner	140,000,000	70%
Jiangsu Yue Da Group Company Limited (Note a)	Held by a controlled company	140,000,000	70%
Jiang Tong Co., Ltd.	Beneficial owner	15,711,000	7.9%
Jiangsu Ocean Shipping Co. (Note b)	Held by a controlled company	15,711,000	7.9%
Zhongshan Industrial Development Ltd.	Beneficial owner	10,914,000	5.5%

Notes:

- a. Jiangsu Yue Da Group Company Limited holds 100% interests in Yue Da Group (H.K.) Co., Limited and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da Group (H.K.) Co., Limited under the Securities and Futures Ordinance.
- b. Jiangsu Ocean Shipping Co. holds 100% interests in Jiang Tong Co., Ltd. and is accordingly deemed to be interested in the shares of the Company beneficially owned by Jiang Tong Co., Ltd. under the Securities and Futures Ordinance.

Other than as disclosed above, the Company has not been notified of any other persons who, as at 31st December, 2005, had interests or short positions in any shares or underlying shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's toll revenue and purchases were attributable to the Group's five largest customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided or proposed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

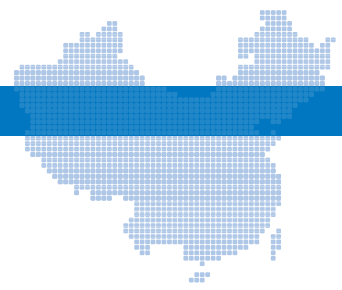
The Company has maintained a sufficient public float throughout the year ended 31st December, 2005.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 26 to the financial statements.



AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Mr. Hu You Lin

CHAIRMAN

Hong Kong, 18th April, 2006