Notes to the Financial Statements

For the year ended 31st December, 2005

1. GENERAL

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited. The Company's immediate holding company is Yue Da Group (H.K.) Co., Limited, a company incorporated in Hong Kong and its ultimate holding company is Jiangsu Yue Da Group Company Limited, which is a state-owned enterprise established with limited liability in the People's Republic of China, other than Hong Kong (the "PRC"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are the management and operation of highways in the PRC.

As the majority of the Group's operation are in the PRC, the consolidated financial statements are presented in Renminbi.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGE IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* and the principal effects of the application of HKFRS 3 to the Group are in relation to goodwill. In previous years, goodwill arising on acquisition was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of RMB1,126,000 with a corresponding decrease in the cost of goodwill (see note 15). The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGE IN ACCOUNTING POLICIES (continued)

Share-based Payments

HKFRS 2 *Share-based Payment* requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to the Group's share options granted before 1st January, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted after 7th November, 2002 and vested before 1st January, 2005 in accordance with the transitional provisions and accordingly, no prior period adjustment is required.

Financial Instruments

HKAS 32 *Financial Instruments: Disclosure and Presentation* requires retrospective application. HKAS 39 *Financial Instruments: Recognition and Measurement*, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how the financial instruments of the Group are presented for the current and prior accounting periods and the principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before 31st December, 2004, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in equity securities are classified as "other investments" and measured at fair value, with unrealised gains or losses included in profit or loss.

From 1st January, 2005, the Group re-classified its investments in securities amounting to RMB360,000, which are held for trading purposes and previously classified as "other investments", to "held for trading investments" and no adjustment has been made to retained earnings as at 1st January, 2005.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGE IN ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets and financial liabilities other than equity securities

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Prior to the application of HKAS 39, an interest-free non-current loan from a minority shareholder was stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loan is measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. Comparative figures for 2004 have not been restated (see note 3 for financial impact).

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior year are as follows:

	2005	2004
	RMB'000	RMB'000
Non-amortisation of goodwill	**160**	—
Imputed interest expense on a non-current interest-free loan from a minority shareholder	**(1,891)**	—
Recognition of share-based payments as expenses	**(2,193)**	—
Decrease in profit for the year	**(3,924)**	—

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

Analysis of decrease in profit for the year by line items presented according to their function:

	2005	2004
	RMB'000	RMB'000
Increase in administrative expenses	**(2,033)**	—
Increase in interest expenses	**(1,891)**	—
	(3,924)	—

The cumulative effects of the application of the new HKFRSs on 1st January, 2005 are summarised below:

Balance sheet items	**As at 1st January, 2005 (Originally stated)**	**Adjustments on adoption of new accounting standards HKAS 39**	**As at 1st January, 2005 (Restated)**
	RMB'000	RMB'000	RMB'000
Held for trading investments	—	360	360
Other investments	360	(360)	—
Unsecured short-term borrowings	(22,555)	121	(22,434)
Unsecured long-term borrowings	(55,614)	12,387	(43,227)
Other net assets	473,220	—	473,220
Total effects on assets and liabilities	395,411	12,508	407,919
Share capital	21,000	—	21,000
Capital contribution	—	11,703	11,703
Retained profits	108,404	(5,046)	103,358
Other reserves	171,948	—	171,948
Minority interests	94,059	5,851	99,910
Total effect on equity	395,411	12,508	407,919

The application of new HKFRSs has no impact on the Group's equity as at 1st January, 2004.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment[3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[4]

1 Effective for annual periods beginning on or after 1st January, 2007.

2 Effective for annual periods beginning on or after 1st January, 2006.

3 Effective for annual periods beginning on or after 1st December, 2005.

4 Effective for annual periods beginning on or after 1st March, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values or at fair value on initial recognition, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with new HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Impairment

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Toll revenue is recognised on receipt.

Sale of other investments are recognised on a trade-date basis.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the depreciation method as set out in note 14.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

Payments to defined contribution retirement benefit schemes are charged as expenses as they fall due.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i. e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Operating leases

Leases where substantially all the rewards and risks of ownerships of assets remain with the lessors are accounted for as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss, loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. The Group classified its investments as held for trading investment. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

The Group's loans and receivables representing other receivables and bank deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

The Group's financial liabilities including other payables, amounts due to minority shareholders, amount due to a related company and unsecured borrowings are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowing costs

All borrowings costs are recognised in the income statement in the period in which they are incurred.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made the following key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Depreciation of toll highways and bridges

As at 31st December, 2005, the carrying value of the Group's toll highways and bridges was RMB336 million. The Group depreciate the toll highways and bridges on an units-of-usage basis which requires an estimation of the projected total traffic volume over the existing operation periods of those highways and bridges. Any change to the projected total traffic volume will affect the amount of depreciation charge of those highways and bridges over the operation periods.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include other investments, other receivables, bank balances and cash, other payables, amounts due to minority shareholders, amount due to a related company and unsecured borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair value interest rate risk

The Group has no significant interest-bearing financial assets apart from balances with banks which are all short-term in nature. The Group's fair value interest rate risk relates primarily to the fixed-rate unsecured borrowing from a minority shareholder.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations at 31st December, 2005 in relation to each class of recognised financial assets is represented by the carrying amount of each financial asset in the consolidated balance sheet. The Group reviews the recoverable amount of each individual financial asset at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk because the Group's toll revenue is on receipt basis and the Group's major financial assets are bank balances and cash.

7. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the gross toll revenue, net of contribution to the traffic construction works fund of Jiangsu Provincial People's Government, business tax and local government levies.

The Group is engaged solely in the management and operation of highways in the PRC. Accordingly, no business segment information is presented. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and all identifiable assets of the Group are located in the PRC. Accordingly, no geographical segment data is presented.

8. PROFIT BEFORE TAX

	2005 **RMB'000**	2004 RMB'000
Profit before tax has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	**—**	161
Auditors' remuneration	**966**	902
Depreciation of property, plant and equipment	**27,153**	27,586
Employee benefit expense, including directors' remuneration (note 9) and share-based payment expense (note 23)	**17,456**	14,662
Loss on disposal of held for trading investments/other investments	**352**	343
Loss on disposal of property, plant and equipment	**13**	—
Repairs and maintenance charges	**11,954**	13,530
Unrealised holding loss on other investments	**—**	273
and after crediting:		
Dividend income from other investments	**—**	14
Gain on disposal of property, plant and equipment	**—**	34
Interest income	**519**	233

9. DIRECTORS AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the eleven (2004: eleven) directors were as follows:

2005

	Mr. Hu You Lin RMB'000	**Mr. Lu Wei Dong, David RMB'000**	**Mr. Gao Yi Shan RMB'000**	**Ms. Wang Pei Ping RMB'000**	**Mr. Dong Li Yong RMB'000**	**Mr. Pan Wan Qu RMB'000**	**Mr. Shen Xiao Zhong RMB'000**	**Mr. Shi Jun RMB'000**	**Mr. Cai Chuan Bing RMB'000**	**Mr. Yu Zheng Hua RMB'000**	**Ms. Yu Chor Woon, Carol RMB'000**	**Total RMB'000**
Fees	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**105**	**52**	**315**	**472**
Other emoluments												
Salaries and other benefits	**1,690**	**234**	**266**	**233**	**279**	**—**	**—**	**—**	**—**	**—**	**—**	**2,702**
Contributions to retirement benefits schemes	**—**	**23**	**—**	**—**	**17**	**—**	**—**	**—**	**—**	**—**	**—**	**40**
Share-based payments	**549**	**166**	**332**	**166**	**332**	**141**	**108**	**—**	**—**	**—**	**—**	**1,794**
Total emoluments	**2,239**	**423**	**598**	**399**	**628**	**141**	**108**	**—**	**105**	**52**	**315**	**5,008**

9. DIRECTORS AND EMPLOYEES' REMUNERATION (continued)

2004

	Mr. Hu You Lin RMB'000	Mr. Lu Wei Dong, David RMB'000	Mr. Gao Yi Shan RMB'000	Ms. Wang Pei Ping RMB'000	Mr. Dong Li Yong RMB'000	Mr. Pan Wan Qu RMB'000	Mr. Shen Xiao Zhong RMB'000	Mr. Shi Jun RMB'000	Mr. Cai Chuan Bing RMB'000	Mr. Yu Zheng Hua RMB'000	Ms. Yu Chor Woon, Carol RMB'000	Mr. Yao Hong RMB'000	Total RMB'000
Fees	—	—	—	—	54	—	—	—	105	16	315	—	490
Other emoluments													
Salaries and other benefits	1,378	237	158	164	13	—	—	141	—	—	—	—	2,091
Contributions to retirement benefits schemes	—	23	—	—	—	—	—	10	—	—	—	—	33
Total emoluments	1,378	260	158	164	67	—	—	151	105	16	315	—	2,614

The five individuals with the highest emoluments in the Group in 2005 were all directors (2004: four) of the Company whose emoluments are included in the disclosures as above. The emoluments of the remaining individual in 2004 was as follows:

	2005 RMB'000	2004 RMB'000
Salaries and other benefits	—	274
Contributions to retirement benefits scheme	—	27
	—	301

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

10. INTEREST EXPENSE

	2005	2004
	RMB'000	RMB'000
Interest on:		
— bank borrowings wholly repayable within five years	**283**	820
— a loan from a minority shareholder wholly repayable within five years	**1,225**	1,760
Imputed interest expense on a non-current loan from a minority shareholder	**1,891**	—
	3,399	2,580

11. INCOME TAX EXPENSE

	2005	2004
	RMB'000	RMB'000
PRC income tax		
— current year	**5,919**	4,573
Deferred tax (note 21)	**305**	217
	6,224	4,790

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 PRC subsidiaries were subject to PRC enterprise income tax at the tax rate of 15% for both years.

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 local income tax.

11. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2005 **RMB'000**	2004 RMB'000
Profit before tax	**31,906**	22,900
Tax at the domestic income tax rate of 15% (Note)	**4,786**	3,435
Tax effect of expenses not deductible for tax purpose	**2,363**	1,981
Effect of different tax rates of subsidiaries operating in other jurisdictions	**241**	174
Tax effect of income not taxable for tax purpose	**(961)**	(604)
Effect of tax exemption granted to a PRC subsidiary	**(205)**	(196)
Tax expense for the year	**6,224**	4,790

Note: The domestic income tax rate in the jurisdiction where a substantial portion of the Group's operation is based is used.

12. DIVIDEND

	2005 **RMB'000**	2004 RMB'000
Dividend	**4,200**	4,200

Pursuant to a resolution passed at the annual general meeting held on 26th May, 2005, a final dividend of HK$4,000,000 (equivalent to approximately RMB4,200,000) or HK$0.02 per share proposed by the Company's board of directors in respect of the year ended 31st December, 2004 was approved to be declared and subsequently paid to the shareholders of the Company.

No dividend was proposed during 2005, nor has any dividend been proposed since the balance sheet date.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the parent is based on the following data:

	2005	2004
	RMB'000	RMB'000
Earnings		
Profit for the year	**19,464**	13,805
Number of shares	**'000**	'000
Number of ordinary shares for the purposes of basic earnings per share	**200,000**	200,000
Effect of dilutive share options	**2,273**	1,957
Number of ordinary shares for the purposes of diluted earnings per share	**202,273**	201,957

Impact of changes in accounting policy

Changes in the Group's accounting policies during the year are described in details in note 3. To the extent that those changes have had an impact on results reported for the year ended 31st December, 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on earnings per share:

	2005	
	Basic	**Diluted**
	RMB cents	**RMB cents**
Non-amortisation of goodwill	**—**	**—**
Imputed interest expense on a non-current interest-free loan from a minority shareholder	**(0.9)**	**(0.9)**
Recognition of share-based payments as expenses	**(1.1)**	**(1.1)**
	(2.0)	**(2.0)**

The changes in the Group's accounting policies during the year had no impact on results reported for the year ended 31st December, 2004 hence they had no impact on the amounts reported for earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Toll highways and bridges	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1st January, 2004	502,729	2,219	3,309	1,844	510,101
Additions	78	—	282	410	770
Disposals	(9)	—	(24)	(183)	(216)
At 31st December, 2004	502,798	2,219	3,567	2,071	510,655
Additions	—	—	191	257	448
Disposals	—	—	(159)	(206)	(365)
At 31st December, 2005	502,798	2,219	3,599	2,122	510,738
DEPRECIATION					
At 1st January, 2004	113,704	565	1,987	852	117,108
Charge for the year	26,795	107	397	287	27,586
Eliminated on disposals	(1)	—	(16)	(164)	(181)
At 31st December, 2004	140,498	672	2,368	975	144,513
Charge for the year	26,389	106	356	302	27,153
Eliminated on disposals	—	—	(133)	(196)	(329)
At 31st December, 2005	166,887	778	2,591	1,081	171,337
CARRYING VALUES					
At 31st December, 2005	335,911	1,441	1,008	1,041	339,401
At 31st December, 2004	362,300	1,547	1,199	1,096	366,142

The toll highways and bridges and the buildings are held in PRC under medium-term leases.

Depreciation of toll highway and bridges are calculated to write off their carrying values on units-of-usage basis based on the ratio 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 highways and bridges.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation are provided to write off the cost of other items of property, plant and equipment on a straight-line basis at the following estimated useful lives:

Buildings	Over the shorter of 20 years or the joint venture period of the relevant company
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The Group owns the toll roads of Xin Fu Section and Wen An Section and has been granted the right to manage, operate and collect toll charges on the toll roads for the duration of the joint venture term of 23 years and 16 years, respectively (note 29). For Wen An Section, applications with the relevant governmental authorities for an extended operation period of further 10 years are still in progress as at 31st December, 2005. Upon expiry of the operation period, the right to manage, operate and collect toll charges at the toll roads may be withdrawn and the toll roads will be delivered to the relevant government authorities at the end of the operation period.

15. GOODWILL

	RMB'000
COST	
At 1st January, 2004 and at 1st January, 2005	1,608
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 2)	(1,126)
At 31st December, 2005	482
AMORTISATION	
At 1st January, 2004	965
Charge for the year	161
At 31st December, 2004	1,126
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 2)	(1,126)
At 31st December, 2005	—
CARRYING VALUES	
At 31st December, 2005	482
At 31st December, 2004	482

15. GOODWILL (continued)

Until 31st December, 2004, goodwill had been amortised over its estimated useful life of 10 years.

The carrying amount solely relates to the Group's management and operations of toll highway and bridges in the PRC.

The recoverable amount of goodwill is determined based on a value-in-use calculation. That calculation uses cash flows projections based on financial budgets approved by management, covering a 5-year period, and the discount rate of 10%. Cash flows beyond the 5-year period are extrapolated for 3 years using a steady growth rate of 9%. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. The growth rate is based on industry growth forecast. Discount rates used have reflected the specific risk of the business. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill to exceed its recoverable amount.

The recoverable amount of the goodwill is higher than their carrying amount based on the value-in-use calculation. Accordingly, no impairment loss has been recognised during the year.

16. OTHER INVESTMENTS

	2005	2004
	RMB'000	RMB'000
Listed equity investments in Hong Kong, at market value	**—**	360

17. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest-free and repayable on demand.

The directors consider the carrying value of the amount approximates to their fair values.

18. AMOUNT DUE TO A RELATED COMPANY

	2005	2004
	RMB'000	RMB'000
Langfang Municipal Communications Bureau	**2,040**	1,762

Langfang Municipal Communications Bureau is a holding company of a minority shareholder. The amount is unsecured, interest free and repayable on demand.

The directors consider the carrying value of the amount approximates to its fair value.

19. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets comprise other receivables, bank balances and cash. Other financial liabilities represent other payables. Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The deposits carry fixed interest rate of 3.63% (2004: 0.03%) per annum. The directors consider that the carrying amounts of other financial assets and liabilities approximate their fair value.

20. SHARE CAPITAL

	At 1st January, 2004, 31st December, 2004 and 31st December, 2005	
	Number of shares	HK$'000
Ordinary shares of HK$0.10 each:		
Authorised	2,000,000,000	200,000
Issued and fully paid	200,000,000	20,000
		RMB'000
Shown in the financial statements as		21,000

21. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation
	RMB'000
At 1st January, 2004	9,464
Charge to income statement for the year	217
At 1st January, 2005	9,681
Charge to income statement for the year	305
At 31st December, 2005	9,986

22. UNSECURED BORROWINGS

	2005 RMB'000	2004 RMB'000
Short-term bank loans, interest-bearing at market rates, guaranteed by:		
— a fellow subsidiary and a minority shareholder	—	10,000
— the ultimate holding company and a minority shareholder	—	5,000
	—	15,000
Unsecured loans from minority shareholders:		
— bearing interest at 7.488% per annum	**9,496**	19,609
— contractually interest-free	**32,369**	43,560
	41,865	63,169
Total borrowings	**41,865**	78,169
The above borrowings are repayable:		
On demand or within one year	**6,729**	22,555
Between one to two years	**6,134**	10,422
Between two to five years	**10,832**	13,537
After five years	**18,170**	31,655
	41,865	78,169
Less: Amount due within one year and included under current liabilities	**(6,729)**	(22,555)
	35,136	55,614

The bank loans in 2004 were variable-rate borrowings which carried interest ranging from 5.8% to 6.9%. The rates are re-set annually on the respective anniversary dates based on the rates announced by the People's Bank of China.

The unsecured loan from a minority shareholder was arranged at fixed interest rate of 7.488% per annum with expected maturity date in 2007.

22. UNSECURED BORROWINGS (continued)

Another unsecured loan was contractually interest-free with expected maturity date in 2012. The effective interest rate for the year was 6% per annum.

The directors estimate the fair value of the Group's borrowings, by discounting their future cash flows at the market rate at 31st December, 2005. The directors consider that the carrying amount of the borrowings approximates their fair value.

23. SHARE OPTION SCHEME

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 select participants for their contribution to the Group and will expire on 11th November, 2011. Under the Scheme, the directors of the Company may grant options to any director or employee of the Company and its subsidiaries or other eligible participants to subscribe for shares in the Company.

An option may be accepted by a participant upon payment of HK$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors at the time of such grant to each grantee, which period may commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

At 31st December, 2005, the number of shares in respect of which options had outstanding under the Scheme was 16,080,000 (2004: 8,160,000), representing 8% (2004: 4%) of the shares of the Company in issue at that date.

23. SHARE OPTION SCHEME (continued)

The following table discloses details of the Company's share options held by employees and movements in such holdings during the current and prior years:

	Date of grant	**Exercise price per share** HK$	**Exercisable period**	**Outstanding at 1st January, 2005**	**Granted during the year**	**Outstanding at 31st December, 2005**
Directors of the Company	29th April, 2003	0.40	16th May 2003 to 28th April, 2013	**5,250,000**	—	**5,250,000**
	26th September, 2005	0.53	12th October, 2005 to 25th September, 2015	**—**	6,480,000	**6,480,000**
				5,250,000	6,480,000	**11,730,000**
Other employees of the Company	29th April, 2003	0.40	9th May, 2003 to 28th April, 2013	**1,260,000**	—	**1,260,000**
	26th September, 2005	0.53	12th October, 2005 to 25th September, 2015	**—**	1,140,000	**1,140,000**
				1,260,000	1,140,000	**2,400,000**
Other employees of the subsidiary	29th April, 2003	0.40	16th May, 2003 to 28th April, 2013	**1,650,000**	—	**1,650,000**
	26th September, 2005	0.53	12th October, 2005 to 25th September, 2015	**—**	300,000	**300,000**
				1,650,000	300,000	**1,950,000**
				8,160,000	7,920,000	**16,080,000**

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1st January, 2004	Cancelled during the year	Outstanding at 31st December, 2004
Directors of the Company	29th April, 2003	0.40	16th May 2003 to 28th April, 2013	5,460,000	(210,000)	5,250,000
Other employees of the Company	29th April, 2003	0.40	9th May, 2003 to 28th April, 2013	1,260,000	—	1,260,000
	29th April, 2003	0.40	16th May, 2003 to 28th April, 2013	270,000	(270,000)	—
				1,530,000	(270,000)	1,260,000
Other employees of the subsidiary	29th April, 2003	0.40	16th May, 2003 to 28th April, 2013	1,650,000	—	1,650,000
				8,640,000	(480,000)	8,160,000

23. SHARE OPTION SCHEME (continued)

Share options granted are vest immediately at the date of grant. During the year ended 31st December, 2005, options were granted on 26th September, 2005. The estimated fair value of the options granted on those dates are RMB2,193,000. During the year ended 31st December, 2004, no share options were granted to or exercised by the Company's directors or employees to subscribe for shares.

The Company has used the Black-Scholes option pricing model (the "Model") to value the share options granted during the year. The Model is one of the commonly used models to estimate the fair value of the option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Details of the fair values of share options determined at the date of grant using the Model with the inputs are as follows:

	2005	2004
Weighted average share price	**HK$0.56**	—
Exercise price	**HK$0.53**	—
Expected volatility	**60%**	—
Expected life	**10 years**	—
Risk-free rate	**4.39%**	—
Expected dividend yield	**3.58%**	—

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 4 years. The expected life used in the model reflects the option life from the date of grant.

The Group recognised a total expense of RMB2,193,000 for the year ended 31st December, 2005 (2004: nil) in relation to share options granted by the Company.

24. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 20% (2004: 20%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

24. RETIREMENT BENEFITS SCHEMES (continued)

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes either 5% or 10% (2004: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost charged to income of RMB1,582,000 (2004: RMB1,425,000) represents contributions payable to these schemes by the Group in respect of current year.

25. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of land and buildings during the year amounted to RMB1,494,000 (2004: RMB1,588,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2005	2004
	RMB'000	RMB'000
Within one year	**905**	914
In the second to fifth year inclusive	**494**	1,412
	1,399	2,326

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. All the above operating lease commitments are payable to a fellow subsidiary.

26. POST BALANCE SHEET EVENT

On 30th March, 2006, the Company entered into a conditional agreement pursuant to which the Group has agreed to acquire the entire issued share capital of Yuelong (Baoshan) Limited, Yuelong (Puer) Limited and Yuelong (Yaoan) Limited together with the outstanding loans due to Feilong Holdings Limited, for a consideration in the sum of RMB 300 million. Yuelong (Baoshan) Limited, Yuelong (Puer) Limited and Yuelong (Yaoan) Limited are limited liability companies incorporated in British Virgin Islands and held the interest through subsidiaries in mining rights of certain lead and zinc ores in the southern part of the PRC.

The consideration is to be satisfied (i) as to RMB78 million by the issue of convertible bonds by the Company, (ii) as to RMB78 million by the issue of promissory notes by a wholly-owned subsidiary of the Company, and (iii) as to the remaining balance of RMB144 million in cash through internal resources.

27. RELATED PARTY TRANSACTIONS AND BALANCES

(i) During the year, the Group had the following transactions with related parties:

	Nature of transactions	2005 RMB'000	2004 RMB'000
Holding company of a minority shareholder	Repairs and maintenance charges paid by the Group	**7,782**	7,334
Minority shareholders	Interest charged to the Group*	**3,116**	1,760
	Maintenance charges paid by the Group	**1,706**	1,612
	Management fee paid by the Group	**403**	358
	Rentals paid on office premises by the Group	**80**	80
Fellow subsidiary	Rentals paid on office premises and staff quarters by the Group	**914**	1,008

* Included in interest charges is the imputed interest on unsecured borrowing of RMB1,891,000.

(ii) Details of the Group's outstanding balances with related parties are set out in notes 17, 18 and 22.

(iii) Details of guarantees given by certain related parties in favour of the bank borrowings granted to the Group are set out in note 22.

(iv) Details of operating lease commitments with a related party are set out in note 25.

(v) By the land use agreements entered into on 18th October, 2001 and 3rd April, 2001 between the Group, the minority shareholders and the local land resources bureau, the parties agreed and confirmed that the Group has the right to use the land on which the toll highways and bridges are situated at no cost for the duration of its joint venture term.

(vi) Transactions with other state-owned entities in the PRC:

The Group operates in an economic environment currently predominated by enterprises directly or indirectly controlled by the PRC government ("state-owned entities"). In addition, the Group itself is part of a larger group of companies under Jiangsu Yue Da Group Company Limited which is a state-owned company in the PRC and under the supervision of the Yancheng Municipal People's Government. Apart from the transactions with the related parties disclosed in (i) to (v) above and the normal banking transactions with state-owned banks, the Group also conducts business with other state-owned entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

27. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In establishing its pricing strategies and approval process for transactions with other state-owned entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

	Nature of transactions	2005 RMB'000	2004 RMB'000
Jiangsu Provincial People's Government	Contribution to the traffic construction works fund	**13,975**	12,299
Jiangsu Province Finance Office	Administrative management fees	**559**	492

In view of the nature of the Group's business of the management and operation of toll highways in the PRC, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

(vii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005 RMB'000	2004 RMB'000
Short-term benefits	**3,891**	3,239
Post-employment benefits	**108**	113
Share-based payments	**1,877**	—
	5,876	3,352

The remuneration of directors and key executives is determined or proposed by the remuneration committee having regard to the performance of individuals and market trends.

28. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31st December, 2005 is as follows:

	Note	**2005** **RMB'000**	2004 RMB'000
Non-current assets			
Property, plant and equipment		**25**	34
Investments in subsidiaries		**229,832**	231,959
		229,857	231,993
Current assets			
Other receivables		**2,125**	1
Other investments		**—**	360
Amount due from a subsidiary		**38,178**	31,525
Bank balances and cash		**5,211**	11,328
		45,514	43,214
Current liability			
Accruals and other payables		**1,092**	1,050
Net current assets		**44,422**	42,164
		274,279	274,157
Capital and reserves			
Share capital		**21,000**	21,000
Reserves	(i)	**253,279**	253,157
		274,279	274,157

28. BALANCE SHEET OF THE COMPANY (continued)

Note:

(i) Reserves

	Share premium	Contributed surplus	Exchange reserve	Share options reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2004	15,897	231,750	—	—	1,258	248,905
Profit for the year	—	—	—	—	8,452	8,452
Dividend paid	—	—	—	—	(4,200)	(4,200)
At 31st December, 2004	15,897	231,750	—	—	5,510	253,157
Exchange differences arising on translation of financial statement	—	—	(2,607)	—	—	(2,607)
Recognition of equity-settled share based payments	—	—	—	2,193	—	2,193
Profit for the year	—	—	—	—	4,736	4,736
Dividend paid	—	—	—	—	(4,200)	(4,200)
At 31st December, 2005	**15,897**	**231,750**	**(2,607)**	**2,193**	**6,046**	**253,279**

The contributed surplus represents the difference between the aggregate net assets of the subsidiaries acquired pursuant to the group reorganisation in 2001, over the nominal value of the share capital of the Company issued for the acquisition.

29. PARTICULATES OF THE COMPANY'S SUBSIDIARIES

At 31st December, 2005:

Name of subsidiary	Country of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities and place of operation
Yue Da Infrastructure Limited	British Virgin Islands	Shares — US$10,000	100	—	Investment holding in Hong Kong
Yancheng Tongda Highway Co., Ltd. ("Yancheng Tongda") (Note i)	PRC	Registered capital — US$12,000,000	—	66.67	Management and operation of the Xin Fu section of National Highway 204 in the PRC
Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") (Note ii)	PRC	Registered capital — US$11,250,000	—	51	Management and operation of the Wen An section of National Highway 106 in the PRC

Notes:

i. Yancheng Tongda is a sino-foreign co-operative joint venture. The term of the joint venture is 23 years (from 29th September, 1995 to 28th September, 2018). Under the joint venture contract of Yancheng Tongda, the Group was entitled to the full amount of the distributable profits of Yancheng Tongda for the first ten years of its joint venture term. During the eleventh to fourteenth year of Yancheng Tongda's joint venture term, the distributable profits of Yancheng Tongda are shared between the Group and the joint venture partner in the proportion of 80% and 20% respectively. During the fifteenth year to the twenty-second year of Yancheng Tongda's joint venture term, the Group and the joint venture partner will share the distributable profits of Yancheng Tongda each year in the proportion of 5% and 95% respectively. In the twenty-third year of Yancheng Tongda's joint venture term, the distributable profits of Yancheng Tongda will be shared between the Group and the joint venture partner in accordance with their capital contribution ratio.

ii. Langfang Tongda is a sino-foreign co-operative joint venture. The term of the joint venture is 16 years (from 19th May, 1997 to 18th May, 2013). The distributable profits of Langfang Tongda are shared between the Group and the joint venture partner in accordance with their capital contribution ratio.

In August 2003, the Group and the joint venture partner agreed to extend Langfang Tongda's joint venture term for further ten years ending in May 2023, as a compensation for the reduction of revenue and for additional costs incurred by Langfang Tongda in 2002 and 2003 during the course of the relocation of a toll station required by the local governmental authority. As at the date of the annual report, applications with the relevant governmental authorities for toll collection during the extended joint venture term is still in progress.