



FINANCIAL HIGHLIGHTS

Turnover of the Group for the year ended 31st December, 2004 was RMB98,092,000, representing an increase of approximately 31% over RMB74,696,000 for the corresponding period of the previous year. Audited profit attributable to shareholders was RMB13,805,000, representing an increase of approximately 19% over RMB11,603,000 for the corresponding period of the previous year. Basic earnings per share was RMB6.9 cents, representing an increase of approximately 19% over RMB5.8 cents for the corresponding period of the previous year.

DIVIDEND

The Board recommended the payment of a final dividend of Hong Kong currency 2 cents per ordinary share for the year ended 31st December, 2004 to the Company's shareholders whose names appear on the register of members of the Company on 26th May, 2005. Subject to approval being obtained at the forthcoming annual general meeting, the proposed dividend will be paid to the shareholders on or before 30th June, 2005. The register of members of the Company will be closed from 23rd May, 2005 to 26th May, 2005 (both days inclusive) during which period no share transfer will be registered.

BUSINESS REVIEW

Overview

Turnover of the Group was primarily derived from toll revenue of the National Highway 204 — Xin Fu Section (the "Xin Fu Section") and National Highway 106 — Wen An Section (the "Wen An Section"). During the period, operating revenue of the Xin Fu Section and the Wen An Section were RMB49,196,000 and RMB48,896,000 respectively, each accounting for roughly half of the total operating income RMB98,092,000, which is of a similar level as compared to that for the corresponding period of the previous year.

Having continued from the growth momentum of traffic flow in the second half of last year, the Group recorded an increase in both turnover and net profit as compared to 2003. However, the growth rate of net profit was lower than that of turnover. This was mainly attributable to the larger increases in road repair and maintenance expenses and staff remuneration for the period. The Board expects highway traffic to increase as the PRC continues to record stable economic growth and demand for vehicles is increasing. However, due to the adjustments to the government's toll collection policy which imposes limitation on the toll fees of large vehicles, it is anticipated that further growth of the Group's toll revenue will be affected.



National Highway 204 — the Xin Fu Section in Jiangsu Province

With the positive effects of the austerity measures, Jiangsu Province experienced a stable and rapid economic growth throughout 2004. According to preliminary estimates, the province's annual GDP amounted to RMB1,551.24 billion, representing a 14.9% growth compared with the previous year. The transport industry saw a stable growth with the throughput of cargoes and passengers increased by 15.7% and 12.9% respectively over the previous year. As at the end of the year, the total length of highways in the province was 73,082 kilometers, while the length of new roads built was 7,517 kilometers, including expressways of 2,424 kilometers. The number of passenger vehicles, notably private cars, grew at a rapid rate. As at the end of the year, there were 1,612,000 civil vehicles, representing a growth of 22.3%. Newly-registered vehicles during the year was 294,000, representing an increase of 7.9%.



Being located in Yancheng, Jiangsu, the Xin Fu Section has two toll collection stations at Shizhuang and Xinxing respectively. Given the strong growth of the economy and transport industry in Jiangsu Province, together with the other favourable factors including the full opening of expressways which were connected to the Xin Fu Section, and improvements in highway traffic conditions, the annual average daily traffic ("AADT") on the Xin Fu Section grew by approximately 18% to 15,690 vehicles during the period, compared with 13,286 vehicles in the previous year. Toll revenue amounted to approximately RMB49,196,000, representing an increase of nearly 31% over RMB37,608,000 for the corresponding period of the previous year. The remarkable increase in revenue is mainly due to the increase in the number of large vehicles, which were subject to higher toll fees. As Jiangsu Province's economic development continues while the transport industry maintains steady growth, toll road operations of the Xin Fu Section are expected to enjoy stable development.



National Highway 106 — the Wen An Section in Hebei Province

Hebei experienced stable and rapid economic growth during 2004, with its total economic output achieving a new high. The province's GDP amounted to RMB883.69 billion, according to preliminary estimates, which represented a growth of 12.9% over the pervious year and the highest growth rate since 1997. The transport and logistics industry enjoyed a fast development to achieve an increase of 25.5% in annual throughput of cargoes and an increase of 21.1% in passenger throughput as compared to the previous year. The total length of highways in the province was 70,200 kilometers, including expressways of 1,706 kilometers, reflecting a growth of 7.4% and 1.5% respectively.



The Wen An Section, being located in Langfang, Hebei and in close proximity to Beijing, has a toll collection station at Wen An. Given the rapid development of the economy and transport industry in Hebei Province, coupled with the policy of diversion of traffic at expressways in terms of cargo weights and carrying capacity, vehicle flows surged significantly with AADT during the year under review amounting to 14,725 vehicles, which represented an increase of approximately 19% as compared to 12,399 vehicles in the previous year. Toll revenue was approximately RMB48,896,000, representing an increase of approximately 32% over RMB37,088,000 for the corresponding period of the previous year. The substantial growth in revenue was mainly attributed to the increase in the number of large vehicles subject to toll fees. With the impact of adjustments to the toll fee policy and vehicle diversion, it is expected that the future toll collection business on the Wen An Section will be affected.

Toll Collection System

Computer-aided toll collection system for the toll stations of both Sections were in use. Such system 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 in order to ensure normal operation 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 systems.

During the year under review, no adjustment has been made to the toll fees in respect of the Xin Fu and Wen An Sections. As the government restricted the toll fee level for large vehicles, it is anticipated that there will only be a partial adjustment to the toll fees in the coming years.

Repairs, Maintenance and Support Facilities

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



OUTLOOK

As of 31st December, 2004, no agreement had been reached in respect of the Chongqing Sino-Portuguese acquisition project. As there are no suitable investment projects for the time being, the net proceeds of approximately RMB36,680,000 from the Company's initial public offering have been temporarily placed as bank deposits. Over the course of the year, the management devoted considerable efforts and resources to identify, inspect and examine on a number of infrastructure projects that are relevant to the Group's development plans. Certain key projects have now been selected for further actions.



In addition, as the Group's ultimate holding company, Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), is also engaged in the investment in, management and operation of infrastructure facilities, this offers possibilities for collaboration between the Group and Jiangsu Yue Da in the future investment in, management and operation of infrastructure facilities. With the full support of Jiangsu Yue Da, the Group will continue to recruit qualified personnel and professional expertise it needs to pursue infrastructure and public utility projects so as to further enhance the competitiveness of the Company's business development and to secure higher returns for its investors.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31st December, 2004, the Group's current assets as at the balance sheet date were RMB131,565,000 (2003: RMB95,814,000), of which RMB130,784,000 (2003: RMB95,158,000) were cash on hand. The total net assets of the Group were RMB301,352,000, representing approximately 3% increase compared with RMB291,747,000 in the corresponding period of 2003. The gearing ratio (total liabilities/total assets) of the Group was approximately 21% (2003: 22%).

As at the balance sheet date, the share capital of the Group remained the same as the previous year at RMB21,000,000. The Group had a reserve of RMB280,352,000 (2003: RMB270,747,000) and total current liabilities of RMB37,483,000 (2003: 33,967,000), of which short-term bank loans amounted to RMB15,000,000. The total non-current liabilities were RMB65,295,000 (2003: RMB73,452,000), of which other long-term borrowings were RMB55,614,000 which in turn included shareholders' loans of RMB12,054,000 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. As Hong Kong dollar is pegged to US dollars with no significant fluctuation in exchange rates between Hong Kong dollars and Renminbi, the Group believes that its exposure to exchange rate risk is minimal.

Contingent Liabilities and Charge on the Group's Assets

As at 31st December, 2004, the Group did not have any outstanding guarantees and charges, or any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As of 31st December, 2004, the Group had a total of 297 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 were also maintained for its Hong Kong staff. During the period 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 if 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, 2004, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's shares.

CODE OF BEST PRACTICE

The Board considers that the Company was in full compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period.

AUDIT COMMITTEE

The Company's audit committee comprises of Mr. Cai Chuan Bing and Ms. Yu Chor Woon, Carol, 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. The audit committee has convened a meeting on 14th April, 2005 to review the accounting principles and practices adopted by the Group and the 2004 audited financial statements and connected transactions and discussed matters relating to audit, internal control and financial reporting with the management.