



The board of directors presents its annual report and the audited financial statements for the year ended 31st December, 2004.

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, 2004 are set out in the consolidated income statement on page 26.

The directors recommend the payment of a final dividend of HK\$0.02 per share to the shareholders on the register of members on 26th May, 2005, amounting to HK\$4,000,000 (equivalent to approximately RMB4,200,000) on the assumption that the number of ordinary shares in issue as at such date remains to be 200 million as at the date of this annual report, and the retained profit for the year would amount to RMB9,605,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Company and of the Group are set out in note 12 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Company and of the Group are set out in note 22 to the financial statements and in the consolidated statement of changes in equity on page 29 respectively.

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated profits with an aggregate amount of 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*) (appointed on 17th May, 2004)

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

Ms. Wang Pei Ping (*Vice Managing Director*) (appointed on 29th March, 2004)

Non-executive directors:

Mr. Shi Jun (formerly an executive director and re-designated as a non-executive director on 17th May, 2004)

Mr. Dong Li Yong

Mr. Shen Xiao Zhong (appointed on 29th March, 2004)

Mr. Yao Hong (resigned on 29th March, 2004)

Independent non-executive directors:

Mr. Cai Chuan Bing

Ms. Yu Chor Woon, Carol

Mr. Yu Zheng Hua (appointed on 15th September, 2004)

In accordance with Article 108(A) of the Company's Articles of Association, Mr. Hu You Lin, being the chairman of the Company, is not required to retire by rotation and Mr. Dong Li Yong and Mr. Cai Chuan Bing retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Under Article 112 of the Company's Articles of Association, Mr. Gao Yi Shan and Mr. Yu Zheng Hua, who were appointed by the directors as an additional director and/or to fill casual vacancy, will hold office until the forthcoming annual general meeting. Mr. Gao and Mr. Yu, 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 with the Company or any of its subsidiaries 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, 2004, none of the directors 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;

**SHARE OPTIONS (continued)**

- (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,

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.

**SHARE OPTIONS (continued)**

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.

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, 2004	Cancelled during the year	Outstanding at 31st December, 2004	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
Mr. Lu Wei Dong, David	16th May, 2003 to 28th April, 2013	0.40	1,020,000	—	1,020,000	0.40
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
Mr. Yao Hong	16th May, 2003 to 28th April, 2013	0.40	210,000	(210,000)	—	0.40
Total for directors of the Company			5,460,000	(210,000)	5,250,000	
<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
	16th May, 2003 to 28th April, 2013	0.40	270,000	(270,000)	—	0.40
Total for other employees of the Company			1,530,000	(270,000)	1,260,000	
Other employees of the Group	16th May, 2003 to 28th April, 2013	0.40	1,650,000	—	1,650,000	0.40
Total			8,640,000	(480,000)	8,160,000	

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. 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) of a 10-year period from the date of grant as provided under the rules of the Scheme.



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, 2004 are set out as below.

	RMB'000
<i>Yue Da Enterprise Group (H.K.) Company Limited, a fellow subsidiary of the Company</i>	
Rentals paid on land and buildings by the Group (<i>note a</i>)	1,008
<i>Jiangsu Yueda Investment Co., Ltd. Yueda International Hotel, an associate of ultimate holding company</i>	
Rentals paid on land and buildings by the Group (<i>note a</i>)	500
<i>Langfang Transport and Highway Engineering Company Limited, a joint venture partner of a subsidiary of the Company</i>	
Interest charged to the Group (<i>note b</i>)	1,760
Other payable by the Group (<i>note e</i>)	2,759
Unsecured long-term borrowings to the Group (<i>note f</i>)	19,609
<i>Langfang Municipal Communications Bureau, an affiliated company of Langfang Transport and Highway Engineering Company Limited</i>	
Repair and maintenance charges paid by the Group (<i>note c</i>)	7,334
Other payable by the Group (<i>note e</i>)	1,762

**CONNECTED TRANSACTIONS (continued)**

RMB'000

Yancheng Xinfu Highway Company Limited, a joint venture partner of a subsidiary of the Company

Maintenance charges paid by the Group (note d)	1,612
Other payable by the Group (note e)	392
Unsecured long-term borrowings to the Group (note g)	43,560

Langfang Tongda Highway Co., Ltd., a non-wholly owned subsidiary of the Company

Interest charged by another member of the Group (note b)	2,352
Other payable to another member of the Group (note h)	327
Unsecured long-term borrowings from another member of the Group (note f)	28,611

Yancheng Tongda Highway Co., Ltd., a non-wholly owned subsidiary of the Company

Other payable by another member of the Group (note e)	29,431
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In addition, as at 31st December, 2004, Yancheng Tongda Highway Co., Ltd. had outstanding bank loans in an aggregate amount of RMB15 million. RMB10 million of the bank loans was guaranteed by Jiangsu Yue Da Investment Company Limited which is a fellow subsidiary of the Company, and Yancheng Xinfu Highway Company Limited to the extent of RMB10 million given by each of them. The remaining RMB5 million was guaranteed by Jiangsu Yue Da Group Company Limited which is the ultimate holding company of the Company, and Yancheng Xinfu Highway Company Limited to the extent of RMB5 million given by each of them.

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 repair 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 has no fixed repayment terms.
- (f) The loan is unsecured, carries interest at 7.488% per annum and is repayable in accordance with the terms of the relevant agreement.

**CONNECTED TRANSACTIONS (continued)**

Notes: (continued)

(g) The loan is unsecured, interest-free and is repayable in accordance with the terms of the relevant agreement.

(h) The amount is unsecured, carries interest at 7.488% per annum and has no fixed repayment terms.

In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable to the Group than terms available to or from (as the case may be) independent third parties;
- (iii) in accordance with the terms of the agreements for the transactions or if there are no such agreements, on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (iv) within the relevant annual cap amounts as agreed with the Stock Exchange or determined under the Listing Rules.

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

At 31st December, 2004, the register of substantial shareholders 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 (<i>Note a</i>)	Held by a controlled company	140,000,000	70%
Jiang Tong Co., Ltd.	Beneficial owner	15,711,000	7.9%
Jiangsu Ocean Shipping Co. (<i>Note b</i>)	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, 2004, 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.



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.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Listing Rules then in force.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

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 for the year under review. The Company considers all of the independent non-executive directors are independent.

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, 14th April, 2005