



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

The Group's books and records are maintained in Renminbi, the currency in which the majority of the Group's transactions are denominated.

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.



### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for carrying the other investments at fair value and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as a separate asset and is amortised using the straight line method over its estimated useful life.

On the disposal of an investment in a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

#### **Revenue recognition**

Toll revenue is recognised on a receipts basis.

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

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

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

In the current year, the Group revised the depreciation method in relation to toll highways and bridges. Depreciation of toll highways and bridges are calculated to write off their carrying values on an 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. It is the Group's policy to review regularly the projected total traffic volume throughout the operating periods of respective toll highways and bridges by reference to independent traffic studies. The latest independent traffic studies were completed in August 2004.

In prior years, depreciation of toll highways and bridges was provided on the basis of a sinking fund calculation where annual depreciation amounts compounded at rates ranging from 6% to 8% per annum would equal the cost of the toll highways and bridges at the end of the joint venture period of the relevant company. As a result of the revisions of the depreciation method and the projected total traffic volume, the net profit for the year ended 31st December, 2004 has been decreased by approximately RMB1,592,000.

Depreciation and amortisation are provided to write off the cost of other items of property, plant and equipment over their estimated useful lives, and after taking into account their estimated residual value, using the straight line method, as follows:

Land use rights	Over the shorter of the term of the lease or the joint venture period of the relevant company
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 gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its 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.

#### **Investments in securities**

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

#### **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 net 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.



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Taxation (continued)**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases 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 negative 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 in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Retirement benefits costs**

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

#### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currencies (continued)

On consolidation, the assets and liabilities of the Group's operations outside the PRC are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Operating leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. All other leases are classified as operating leases and the rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

### 4. SEGMENTAL INFORMATION

The Group is engaged solely in the management and operation of highways in the PRC. All identifiable assets of the Group are located in the PRC.



## 5. PROFIT FROM OPERATIONS

	2004 RMB'000	2003 RMB'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
Contributions to retirement benefits schemes	1,425	1,175
Other staff costs	13,237	11,078
	<b>14,662</b>	12,253
Amortisation of goodwill (included in administrative expenses)	161	161
Auditors' remuneration	902	905
Depreciation and amortisation of property, plant and equipment	27,586	22,363
Repair and maintenance charges	13,530	5,959
Loss on disposal of property, plant and equipment	—	416
Loss on disposal of other investments	343	48
Unrealised holding loss on other investments	273	3
and after crediting:		
Dividend income from other investments	14	—
Interest income	233	426
Gain on disposal of property, plant and equipment	34	—



## 6. DIRECTORS' EMOLUMENTS

	2004 RMB'000	2003 RMB'000
Directors' fees:		
Executive	—	—
Non-executive	54	—
Independent non-executive	435	420
Other emoluments of executive and non-executive directors:		
Salaries and other benefits	2,092	2,372
Contributions to retirement benefits schemes	33	64
	<b>2,614</b>	2,856

The emoluments of the directors were within the following bands:

	2004	2003
Up to HK\$1,000,000	10	7
HK\$1,000,001 to HK\$1,500,000	1	1

During the year, no emoluments were paid by the Group to any of the directors or 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 waived any emoluments during the year.

## 7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2003: four) were directors of the Company whose emoluments are included in the disclosures in note 6 above. The emoluments of the remaining individual for the year were as follows:

	2004 RMB'000	2003 RMB'000
Salaries and other benefits	274	274
Contributions to retirement benefits schemes	27	27
	<b>301</b>	301





## 8. INTEREST EXPENSES

	2004 RMB'000	2003 RMB'000
The interest expenses represent interest on		
— bank borrowings wholly repayable within five years	820	980
— a loan from a joint venture partner of a subsidiary wholly repayable within five years	1,760	2,110
	<b>2,580</b>	3,090

## 9. INCOME TAX EXPENSES

	2004 RMB'000	2003 RMB'000
PRC income tax		
— current year	4,573	2,418
— underprovision in prior years	—	17
	<b>4,573</b>	2,435
Deferred taxation ( <i>note 19</i> )	217	730
	<b>4,790</b>	3,165

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 national 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 any such local income tax.



## 9. INCOME TAX EXPENSES (continued)

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

	2004 RMB'000	2003 RMB'000
Profit before tax	22,900	16,870
Tax at the domestic income tax rate of 15% (Note)	3,435	2,531
Tax effect of expenses not deductible for tax purpose	1,981	1,534
Tax effect of income not taxable for tax purpose	(604)	(929)
Underprovision in prior years	—	17
Effect of tax exemption granted to a PRC subsidiary	(196)	(48)
Effect of different tax rates of subsidiaries operating in other jurisdictions	174	60
Tax expense for the year	4,790	3,165

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

## 10. DIVIDEND

	2004 RMB'000	2003 RMB'000
Dividend approved and paid	4,200	4,200

Pursuant to a resolution passed at the annual general meeting held on 14th May, 2004, 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, 2003 was approved to be declared and subsequently paid to the shareholders of the Company.

A final dividend in a total sum of HK\$4,000,000 (equivalent to approximately RMB4,200,000) or HK\$0.02 per share has been proposed by the Company's board of directors to be declared in respect of the year ended 31st December, 2004 and is subject to approval by the shareholders in the forthcoming annual general meeting.



## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2004 RMB'000	2003 RMB'000
<b>Earnings</b>		
Net profit for the year	<b>13,805</b>	11,603
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Number of ordinary shares for the purposes of basic earnings per share	<b>200,000</b>	200,000
Effect of dilutive share options	<b>1,957</b>	860
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>201,957</b>	200,860



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 12. PROPERTY, PLANT AND EQUIPMENT

	Toll highways and bridges RMB'000	Land and buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>THE GROUP</b>					
<b>COST</b>					
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
<b>DEPRECIATION</b>					
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
<b>NET BOOK VALUE</b>					
At 31st December, 2004	362,300	1,547	1,199	1,096	366,142
At 31st December, 2003	389,025	1,654	1,322	992	392,993

The land and buildings are situated in the PRC and held under medium term land use rights.

	Furniture, fixtures and equipment RMB'000
<b>THE COMPANY</b>	
<b>COST</b>	
At 1st January, 2004	52
Additions	16
At 31st December, 2004	68
<b>DEPRECIATION</b>	
At 1st January, 2004	20
Charge for the year	14
At 31st December, 2004	34
<b>NET BOOK VALUE</b>	
At 31st December, 2004	34
At 31st December, 2003	32



### 13. GOODWILL

	<b>THE GROUP</b>
	RMB'000
<b>COST</b>	
At 1st January, 2004 and at 31st December, 2004	1,608
<b>AMORTISATION</b>	
At 1st January, 2004	965
Charge for the year	161
At 31st December, 2004	1,126
<b>NET BOOK VALUE</b>	
At 31st December, 2004	482
At 31st December, 2003	643

The amortisation period adopted for goodwill is 10 years.

### 14. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>
	<b>2004 &amp; 2003</b>
	RMB'000
Unlisted shares, at cost	<b>231,959</b>

The carrying value of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation in 2001.



## 14. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31st December, 2004 are as follows:

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		Principal activities and place of operation
			Directly %	Indirectly %	
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:

- 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 is 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 will be 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.
- 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.



## 15. OTHER INVESTMENTS

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
Listed equity investments in Hong Kong, at market value	<b>360</b>	192

## 16. AMOUNT DUE FROM A SUBSIDIARY

### THE COMPANY

The amount is unsecured, interest-free and has no fixed repayment terms.

## 17. AMOUNTS DUE TO JOINT VENTURE PARTNERS OF SUBSIDIARIES

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
Current portion of an advance from a joint venture partner of a subsidiary ( <i>Note i</i> )	—	2,589
Amounts due to joint venture partners of subsidiaries ( <i>Note ii</i> )	<b>3,151</b>	2,868
	<b>3,151</b>	5,457

### Notes:

- i. The amounts were unsecured, interest-free and fully repaid during the year. Pursuant to an agreement dated 30th September, 2001 entered into between Langfang Tongda, the joint venture partner of Langfang Tongda and Yue Da Infrastructure Limited, the repayment of an amount due to the joint venture partner of RMB10,473,000 at 30th September, 2001 was made by three equal installments during a period of three years but subject to the availability of adequate working capital for that purpose.
- ii. The amounts due to joint venture partners of subsidiaries are unsecured, interest-free and have no fixed repayment terms.

**18. UNSECURED SHORT-TERM BORROWINGS**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
Current portion of long-term borrowings ( <i>note 20</i> )	<b>7,555</b>	5,151
Bank borrowings ( <i>Note</i> )	<b>15,000</b>	15,000
	<b>22,555</b>	20,151

*Note:* The bank borrowings at 31st December, 2004 and 2003 were granted to a non-wholly owned subsidiary of the Company. At 31st December, 2004, RMB10,000,000 of the bank borrowings was guaranteed by a fellow subsidiary of the Company and a joint venture partner of the subsidiary while the remaining RMB5,000,000 was guaranteed by the ultimate holding company of the Company and the joint venture partner of the subsidiary. The bank borrowings at 31st December, 2003 were guaranteed by the Company.

**19. DEFERRED TAXATION****THE GROUP**

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior year:

	<b>Accelerated tax depreciation</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1st January, 2003	8,449	285	8,734
Charge (credit) to income statement for the year	1,015	(285)	730
At 1st January, 2004	9,464	—	9,464
Charge to income statement for the year	217	—	217
At 31st December, 2004	9,681	—	9,681





## 20. UNSECURED LONG-TERM BORROWINGS

	THE GROUP	
	2004 RMB'000	2003 RMB'000
The loans are repayable as follows:		
Within one year	7,555	5,151
Between one to two years	10,422	8,374
Between two to five years	13,537	21,665
Over five years	31,655	33,949
	63,169	69,139
Less: Amount due within one year and included under current liabilities ( <i>note 18</i> )	(7,555)	(5,151)
	55,614	63,988

Other than the loan from a joint venture partner of a subsidiary amounting to RMB43,560,000 (2003: RMB43,560,000) which carries no interest, the remaining balance of the above loans carries interest at 7.488% (2003: 7.488%) per annum on the outstanding principal at the balance sheet date.

## 21. SHARE CAPITAL

	2004 & 2003	
	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



## 22. RESERVES

	Share premium RMB'000	Contributed surplus RMB'000	Accumulated (losses) profits RMB'000	Total RMB'000
<b>THE COMPANY</b>				
At 1st January, 2003	15,897	231,750	(8,532)	239,115
Net profit for the year	—	—	13,990	13,990
Dividend paid	—	—	(4,200)	(4,200)
At 1st January, 2004	15,897	231,750	1,258	248,905
Net 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

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.

## 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 selected 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.



## 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 year:

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

The financial impact of options granted is not recorded in the Company's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

## 24. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 20% (2003: 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% (2003: 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

## 25. CONTINGENT LIABILITIES

At 31st December, 2003, the Company executed guarantees amounting to RMB15,000,000 in favour of certain banks in respect of bank borrowings granted to a subsidiary. The guarantees were released upon the repayment of bank borrowings during the year.

## 26. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of land and buildings during the year amounted to RMB1,588,000 (2003: RMB1,209,000).

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

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
Within one year	<b>914</b>	653
In the second to fifth year inclusive	<b>1,412</b>	—
	<b>2,326</b>	653

Operating lease payments represent rentals payable by the Group and the Company 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.



## 27. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had significant transactions and balances with certain related parties as follows:

### (i) Transactions

Related parties	Nature of transactions	THE GROUP	
		2004 RMB'000	2003 RMB'000
Fellow subsidiary	Rentals paid on land and buildings	1,008	784
Associate of ultimate holding company	Rentals paid on land and buildings	500	500

The rentals were charged in accordance with the relevant tenancy agreement.

### (ii) Others

Details of guarantees given by certain related parties in favour of the bank borrowings granted to the Group are set out in note 18.

Details of operating lease commitments with a related party are set out in note 26.