

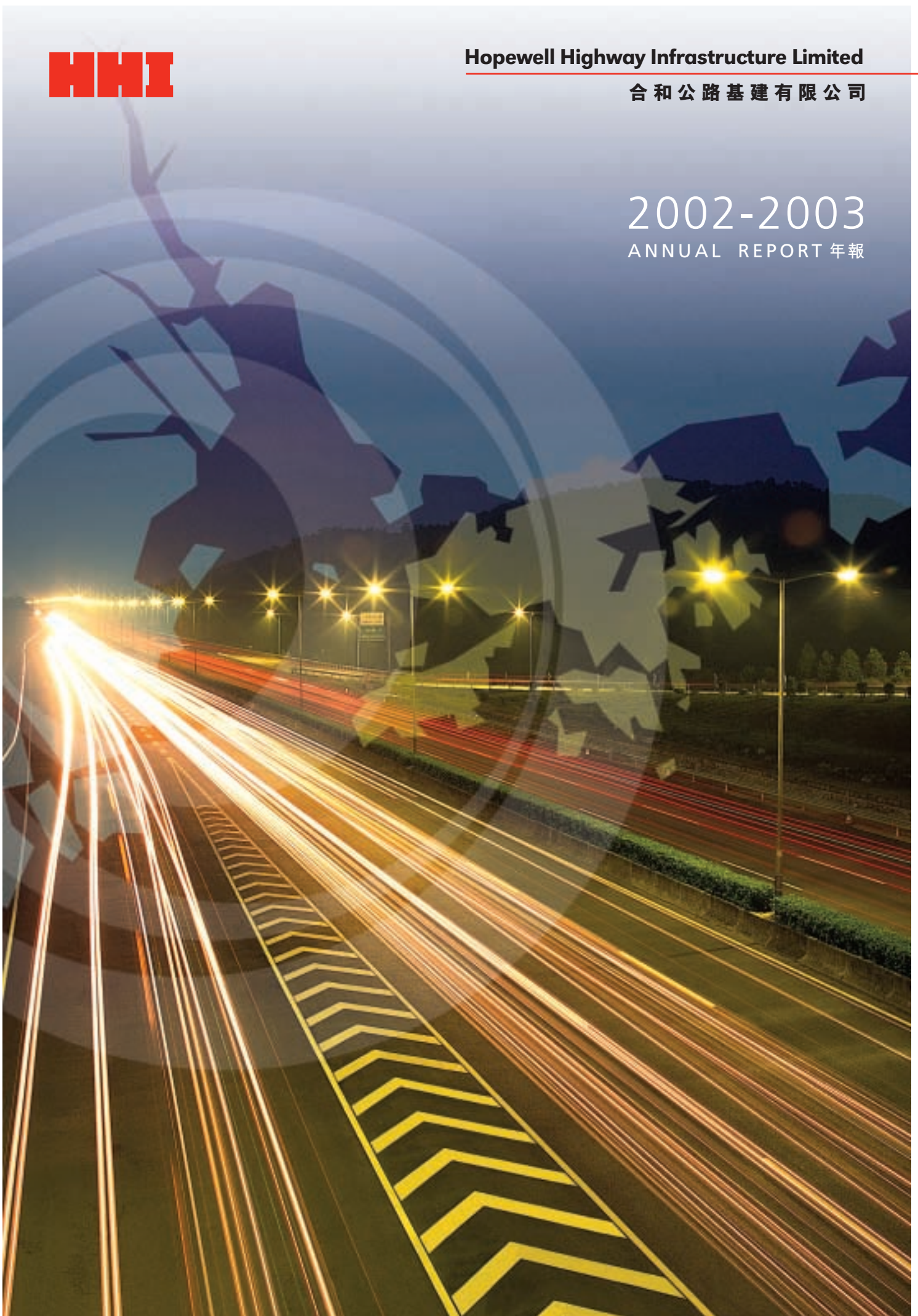


Hopewell Highway Infrastructure Limited

合和公路基建有限公司

2002-2003

ANNUAL REPORT 年報



Listed on The Stock Exchange of Hong Kong Limited in August 2003, Hopewell Highway Infrastructure Limited (“HHI”) builds and operates strategic expressway infrastructure in the Guangdong Province. With the strong support and well-established experience of its parent company, Hopewell Holdings Limited (“HHL”), HHI is targeted with initiating, promoting and developing new expressway, tunnel and bridge infrastructure projects, particularly in the thriving economy of the Pearl River Delta region.

合和公路基建有限公司（「合和公路基建」）一直在廣東省興建及經營策略性的高速公路基建項目，於二零零三年八月在香港聯合交易所有限公司上市。憑着其母公司合和實業有限公司（「合和實業」）的強大支持及豐富經驗，合和公路基建將致力於策劃、推動及發展新的高速公路、橋及隧道等基建項目，尤其在經濟發展蓬勃的珠江三角洲地區。



Total
全長

180km公里*

GS Superhighway
廣深高速公路



A 122.8km closed system asphalt-paved dual three lane expressway running between Huanggang in Shenzhen and Guangdan in Guangzhou where it connects to the ESW Ring Road.

全長 122.8 公里封閉式瀝青路面之雙向三車道高速公路，由深圳市皇崗至廣州市廣丹，連接東南西環高速公路。

ESW Ring Road
東南西環高速公路



A 38km closed system concrete-paved dual three lane expressway running along the eastern, southern and western fringes of the Guangzhou urban areas and connecting to the Northern Ring Road to form the Guangzhou Ring Road.

全長 38 公里封閉式混凝土路面之雙向三車道高速公路，沿廣州市區東、南及西面的周邊興建，與北環高速公路連接組成廣州環城高速公路。

Phase 1 of the Western Delta Route (Under construction)
珠江三角洲西岸幹道第一期 (建設中)



A 14.7km closed system asphalt-paved dual three lane expressway linking Guangzhou to Shunde. It will connect to ESW Ring Road after completion.

全長 14.7 公里封閉式瀝青路面之雙向三車道高速公路連接廣州市和順德，建成後將與東南西環高速公路連接。

Phase 2 & 3 of the Western Delta Route (Under planning)
珠江三角洲西岸幹道第二及三期 (籌劃中)

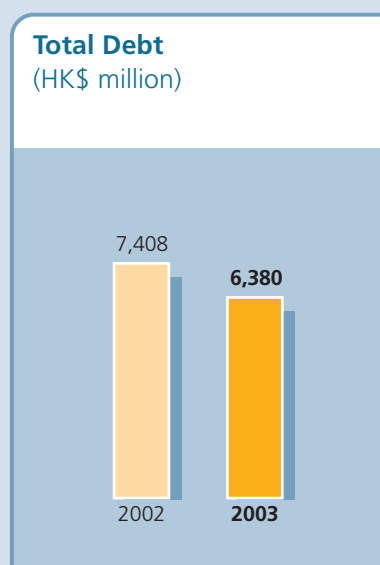
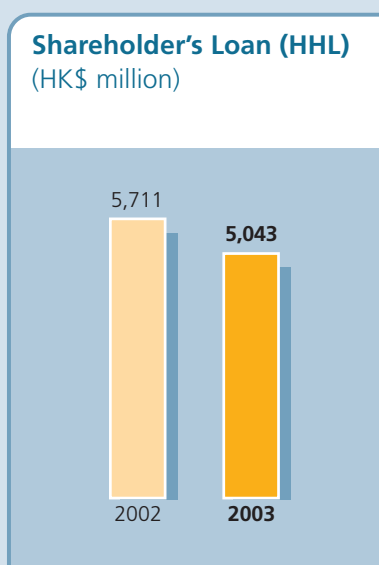
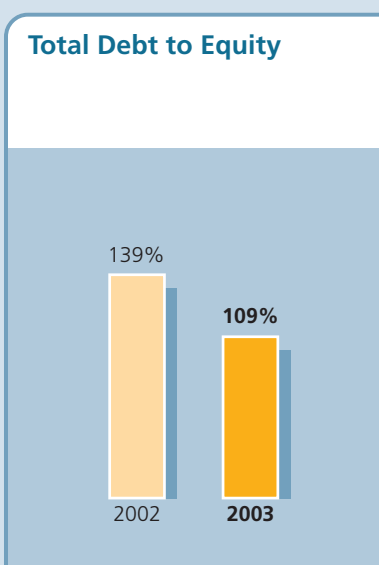
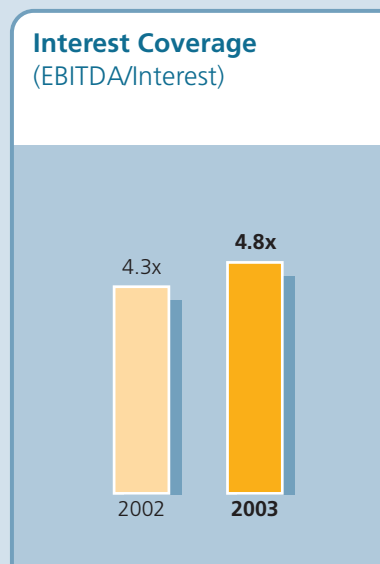
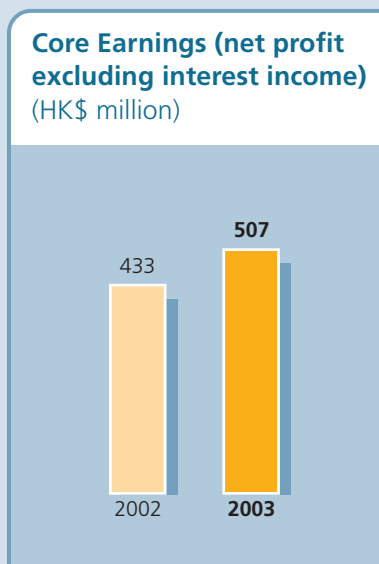
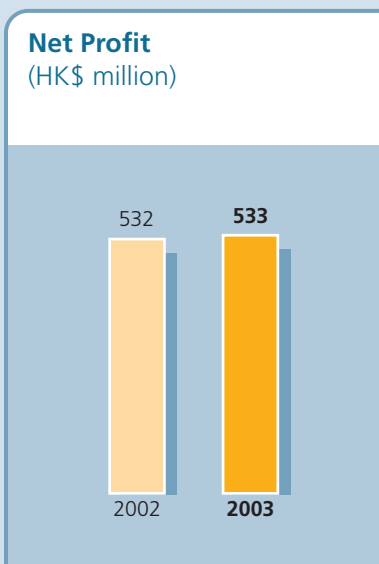
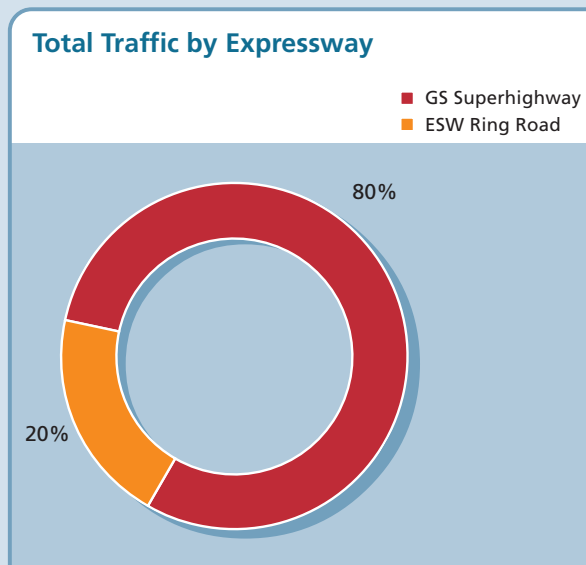
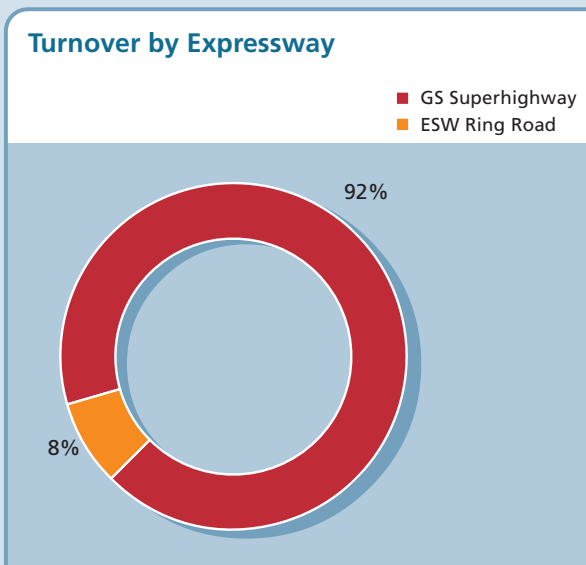


Connected to Phase 1, an approximate 43km expressway running between Shunde and Zhongshan.

緊接第一期工程，全長約 43 公里的珠江三角洲西岸幹道第二及三期將連接順德和中山市。

- GS Superhighway**
廣深高速公路
- ESW Ring Road**
東南西環高速公路
- Phase 1 of the Western Delta Route (Under construction)**
珠江三角洲西岸幹道第一期 (建設中)
- Phase 2 & 3 of the Western Delta Route (Under planning)**
珠江三角洲西岸幹道第二及三期 (籌劃中)

* excluding Phases 2 & 3 of the Western Delta Route under planning.
籌劃中珠江三角洲西岸幹道第二及三期不計算入內。



Consolidated Results

(in HK\$ million)	Year ended 30th June			
	2000	2001	2002	2003
Turnover	770	860	918	1,030
Profit from ordinary activities before taxation	548	629	561	569
Taxation	(24)	(26)	(20)	(25)
Profit before minority interests	524	603	541	544
Minority interests	(5)	(2)	(9)	(11)
Profit attributable to shareholders	519	601	532	533

Consolidated Assets and Liabilities

(in HK\$ million)	As at 30th June			
	2000	2001	2002	2003
Property and equipment	9,258	9,271	9,099	9,001
Additional investment cost in jointly controlled entities	1,981	1,961	1,934	1,900
Toll road project under development	430	431	431	151
Loans to jointly controlled entities	4,891	4,282	1,209	1,014
Current assets	839	558	260	421
Total assets	17,399	16,503	12,933	12,487
Current liabilities	(2,114)	(957)	(354)	(569)
Non-current liabilities	(13,389)	(13,046)	(11,739)	(10,542)
Total liabilities	(15,503)	(14,003)	(12,093)	(11,111)
Minority interests	(7)	(10)	(19)	(30)
Shareholders' equity	1,889	2,490	821	1,346

Earnings Per Share

(in HK\$)	2000	2001	2002	2003
Earnings per share – basis	0.24	0.28	0.25	0.25

Financial Ratios

	2000	2001	2002	2003
Net Debt ⁽¹⁾ to Equity ⁽²⁾	163%	125%	137%	104%
Return on Equity ⁽²⁾	8%	9%	10%	9%

Note: (1) Net debt is defined as total debt (including bank and other loans (both long term and short term portion), loans from joint venture partners and interest-bearing interest payable) less bank balances and cash.

(2) Assumes HK\$4,500 million of the amounts due to holding companies are capitalised.

(3) The Company was incorporated on 14th January, 2003 in the Cayman Islands and became the holding company of the Group with effect from 30th June, 2003 upon completion of the Corporate Reorganisation as set out in the Company's prospectus dated 28th July, 2003.

(4) The results of the Group for the three years ended 30th June, 2002 and the balance sheets of the Group as at 30th June, 2000, 2001 and 2002 have been prepared using the principles of merger accounting and are extract from the Company's prospectus dated 28th July, 2003.

Stock Code 股票編號: 0737

Congratulations on its Successful Listing on the Main Board of The Stock Exchange of Hong Kong
恭賀合和公路基建有限公司於香港聯合交易所主版上市





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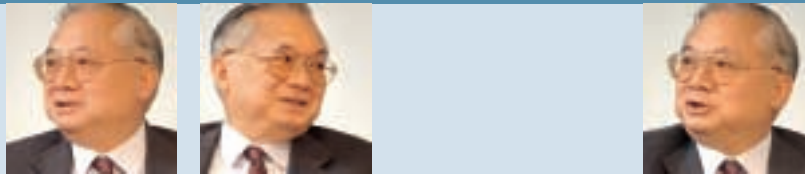


“The formation of HHI clearly illustrates the growth and strength of the Group’s expressway infrastructure business”

Sir Gordon Ying Sheung WU
KCMG, FICE
Chairman

It gives me great pleasure to pen this first Chairman’s Statement for our new subsidiary, Hopewell Highway Infrastructure Limited (“HHI”). With the listing of HHI on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6th August, 2003, we have achieved another milestone in Hopewell Holdings Limited’s (“Hopewell Holdings”) 31-year history. The formation of HHI clearly illustrates the growth and strength of the Group’s expressway infrastructure business and ensures that we provide our investors with greater corporate transparency in regards to this business and our future investment plans.

HHI now owns interests in three toll expressways, including the Guangzhou-Shenzhen Superhighway (“GS Superhighway”), Guangzhou ESW Ring Road (“ESW Ring Road”) and Western Delta Route. It is through HHI, that Hopewell Holdings will continue to develop our transport infrastructure interests in Guangdong and the Pearl River Delta. These interests include the proposed Hong Kong-Zhuhai-Macau Bridge-Tunnel project and Phases 2 and 3 of the Western Delta Route. We believe that these projects are logical and significant steps in the development of the Pearl River Delta as a region and in the natural integration of the city economies of the western Pearl River Delta, Macau and Hong Kong.



HHI is an independently listed company, 75% owned by Hopewell Holdings, with a Board and management team that is independent, yet also has the strong backing, of Hopewell Holdings. Through its background and pedigree, HHI has the advantage of having a strong track record, favourable tax concessions and the ability to expand our expressways on land already owned by HHI's joint venture companies as traffic growth dictates.

As the reorganisation for the HHI Group was only effected on 30th June, 2003, no dividends were declared by the Board for this fiscal year. However, in the absence of unforeseen circumstances, the Board intends to recommend and pay at least HK\$0.225 per share in total dividends for the next financial year, as stated in the Group's Initial Public Offering prospectus.

Financial Status

Net profit for fiscal year 2003 stood at HK\$533 million, a slight increase over last year's HK\$532 million. Earnings per share, subsequently, remained flat at HK\$0.25 per share.

Core earnings, however, defined as net profit excluding interest income from shareholder's loan, increased 17% from HK\$433 million in fiscal year 2002 to HK\$507 million this fiscal year, reflecting the true strength of HHI's expressway projects. Both GS Superhighway and ESW Ring Road recorded impressive growth rates this fiscal year.

Fiscal year	2002	2003	% change
GS Superhighway			
Average Daily Traffic (No. of vehicles)	123,191	155,394	26%
Average Daily Revenue (RMB)	5,183,936	5,778,931	11%
ESW Ring Road			
Average Daily Traffic (No. of vehicles)	32,757	38,930	19%
Average Daily Revenue (RMB)	486,738	590,053	21%

HHI's interest income from shareholder's loans to our joint-venture companies, on the other hand, fell from HK\$99 million in fiscal year 2002 to HK\$26 million in fiscal year 2003 as a result of the repayment of these loans, again reflecting the strong performance of our assets. This decrease in interest income offset a large proportion of the increase in net profit growth. As interest income will remain a very small portion of HHI's income, our future earnings figures will truly reflect the strength of our expressways.

“ Our expressway systems have grown hand-in-hand with the economic development of the Pearl River Delta over the past two decades.”

Business Review

After the PRC Central Government's adoption of an open-door policy for economic reform, twenty-five years ago, Hopewell Holdings's group entered the PRC market confidently with the vision that roads would help drive the economic and industrial growth of Guangdong and the Pearl River Delta. We identified and planned highway routes, formed joint venture arrangements with PRC partners and helped supervise the design, construction, project financing and operation of highways which are today meeting the demands of record traffic growth and car ownership. The result is 180 kilometers of dual three lane toll expressways.

The dual three lane GS Superhighway, now in its ninth year of operation, remains the main expressway linking Hong Kong and Guangzhou, forming a vital north-south corridor in the eastern Pearl River Delta. The ESW Ring Road runs along the eastern, southern and western fringes of Guangzhou city with connections that form a ring road surrounding Guangzhou city. With these expressways in operation, we have now turned our focus on the western reaches of the Pearl River Delta. The result is Phase 1 of the Western Delta Route, currently under construction and expected to be completed by mid-2004. This will offer a strategic high-speed link between Guangzhou and Shunde, reducing the journey time between these two major cities from 40 minutes to 10-15 minutes.

Our expressway systems have grown hand-in-hand with the economic development of the Pearl River Delta over the past two decades. Since fiscal year 1995 to fiscal year 2003, GS Superhighway has seen compound annual growth in its average daily toll traffic flow of 18%. Even during the outbreak of Severe Acute Respiratory Syndrome (SARS) this year, our average daily revenue and traffic continued to record robust growth over the previous year's figures.

The Future

The high rate of economic growth in Guangdong and across the Pearl River Delta have contributed to considerable GDP and per capita income growth, which in turn have generated record growth for vehicle production and ownership. HHI believes that these factors will continue to increase traffic flow along its expressways. At the same time, the demand for new or expanded roads to meet traffic demand means HHI must focus on future projects. With its proven track record, concession rights and its solid relationships with PRC partners, HHI can pursue such new projects with clear competitive advantages.

The long-term significance of expressways will continue to be enhanced by the economic importance of the Pearl River Delta, as well as a gradual relaxation of border restrictions, the Closer Economic Partnership Arrangements between China and Hong Kong and the opening of new connecting roads and feeder routes. The completion of Phase 1 of the Western Delta Route will generate further demand for high-speed routes between the Pearl River Delta's major cities. HHI retains the concession rights for Phases 2 and 3 of the Western Delta Route and the development of these routes is being actively pursued.

HHI also sees the development of a bridge and tunnel connecting Zhuhai and Macau with Hong Kong as strategically important to the economic integration of the major cities of the Pearl River Delta. HHI has devoted significant efforts to promoting this project and will continue to actively pursue it. We believe that we are well positioned to participate in this project.

Acknowledgement

I would like to take this opportunity to thank my fellow directors, senior management teams and all staff for their hard work during this past financial year and their commitment to our platform for growth. My gratitude also goes to our shareholders, financiers and business partners for their invaluable support.

Sir Gordon Ying Sheung WU, KCMG, FICE

Chairman

Hong Kong, 8th September, 2003



Sir Gordon Ying Sheung WU KCMG, FICE
Chairman



Mr. Eddie Ping Chang HO
Vice Chairman



Mr. Thomas Jefferson WU
Managing Director



Ir. Leo Kwok Kee LEUNG
Executive Director



Mr. Li Jia HUANG
Executive Director



Mr. Alan Chi Hung CHAN
Deputy Managing Director



Mr. Cheng Hui JIA
Executive Director



Mr. Christopher Shih Ming IP
Executive Director



Hopewell Highway Infrastructure Limited (“HHI”) begins its commercial life as an established infrastructure business with a reputable track record and sound financial base, with continued growth potential. Our expressways feed and service the most economically active and successful cities of southern China. With strategic holdings across the highway network of Guangdong and the Pearl River Delta and the competitive advantages we hold in terms of our ability to expand our expressways, and, where necessary, construct new roads and connections to our existing expressway systems, HHI has laid a concrete foundation for future investment and development strategies.

The Pearl River Delta in Guangdong Province has rapidly become one of the world's most important centres of industrial output and continues to grow an increasing broad-based economy. New port and airport developments and the PRC's World Trade Organisation (“WTO”) membership have resulted in increasing foreign investment in manufacturing facilities in the region and contributed to a continuous rise in GDP. Vehicle ownership and road usage are increasing at



record rates. These statistics are compelling evidence of the need for expressway development to stay ahead of demand. Toll expressways, built as part of the Hopewell's vision, are now strategic links in a transportation network that underpins economic growth.

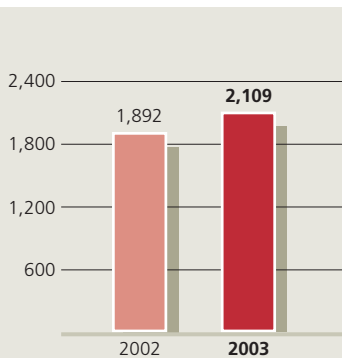
HHI, through co-operative joint venture arrangements, has invested in three toll expressway projects across the Pearl River Delta — namely the Guangzhou-Shenzhen Superhighway (“GS Superhighway”), Guangzhou East-South-West Ring Road (“ESW Ring Road”) and Phase 1 of the Western Delta Route. These expressways have a combined road length of 180 km. Both the GS Superhighway and the ESW Ring Road are operational and have exhibited remarkable strength in terms of traffic volume and toll revenue growth over the past financial year. The third toll expressway project, Phase 1 of the Western Delta Route, is a 14.7km dual three lane expressway from Guangzhou to Shunde that is expected to be completed by mid-2004. In addition to these expressways, HHI is actively pursuing two further phased extensions of the Phase 1 of the Western Delta Route which will take the expressway through to Zhongshan. HHI already holds the concession rights to these two phases.



Guangzhou-Shenzhen Superhighway (GS Superhighway)



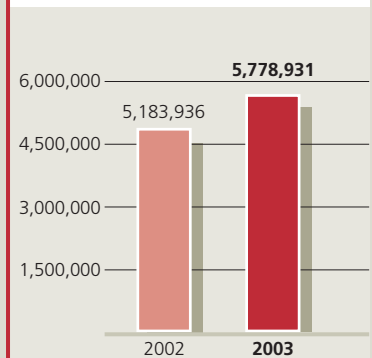
Annual Toll Revenue
(RMB million)



Average Daily Traffic
(No. of vehicles)



Average Daily Toll Revenue
(RMB)





Project Summary

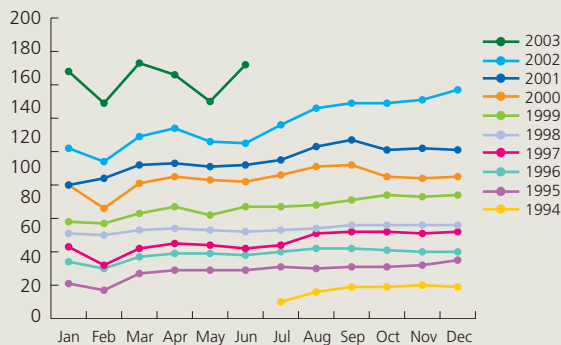
Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8km
Lane	Dual three lane
Class	Expressway
JV Contractual Operation Period	Jul 1997 – Jun 2027
Profit Sharing Ratio	Year 1-10: 50% Year 11-20: 48% Year 21-30: 45%

In view of the strong economic growth in the Guangdong Province, especially in the Pearl Delta River region, the GS Superhighway continues to exhibit robust growth in terms of both traffic volume and toll revenue. The GS Superhighway is a 122.8 km, dual three lane toll expressway with 18 toll stations along the route. Its traffic use and toll revenues have exhibited continuous growth since its first year of full operations in 1995.

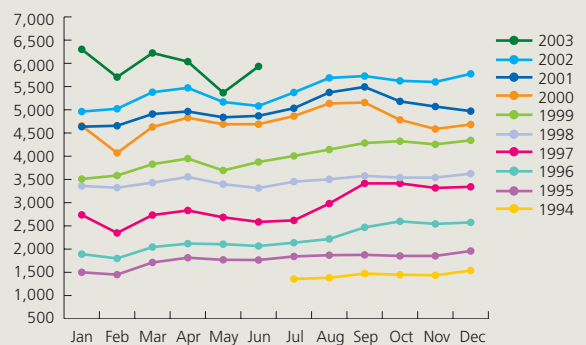
As the first, and currently the only expressway directly connecting Guangzhou with Shenzhen and Hong Kong, the GS Superhighway is a major artery in the developing Pearl River Delta expressway network. Many large towns and important facilities, including the Shenzhen Baoan Airport and various seaports are connected to this expressway's 18 strategically placed interchanges. The expressway is also well connected to the other major highways in the Pearl River Delta.

Over the past financial year, average daily traffic reached 155,394 – a 26% growth over the previous year's figures. Total toll revenue reached RMB2.1 billion, an 11% increase over 2002. The opening of the Huanggang border crossing with Hong Kong on a 24-hour basis in January 2003, together with the PRC's WTO membership and the Closer Economic Partnership Arrangements (CEPA) signed between the PRC and Hong Kong in June 2003 act as catalysts driving further growth on this expressway.

GS Superhighway Average Daily Traffic
(No. of vehicles in thousand)



GS Superhighway Average Daily Toll Revenue
(RMB thousand)







The toll collection system along the northbound section of the expressway has been upgraded from a magnetic card toll collection system to a contactless Integrated Circuit (IC) card system. This will enhance operational efficiency by reducing toll processing time as well as enabling us to efficiently gather data on road usage trends. Work on upgrading the system along the southbound section of the expressway is scheduled to be completed by mid-2004.

Although the GS Superhighway still has the capacity to handle further increase in traffic, additional toll lanes have been added at particularly busy toll stations such as Huangtian, Nantou and Baoan, to improve traffic capacity. The main alignment between Hezhou and Huangtian interchanges is being expanded with an additional lane in each direction to increase traffic capacity along this busy 2.7km section of the expressway. Further, over 50 km of road surface was re-paved during the year as part of a three-year major maintenance programme which will cover virtually the whole expressway. Future expansion of this expressway is relatively straightforward for HHI as the joint venture company already owns land on either side of the road.

The joint venture company was awarded the ISO9001 quality standard this year in recognition of its operational and management standards.

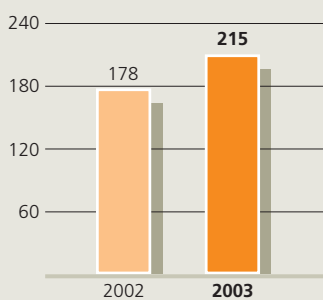




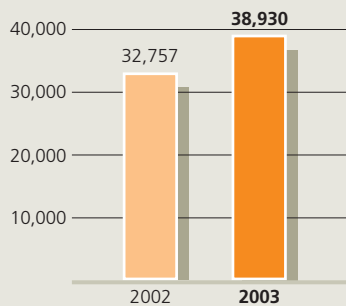
Guangzhou East-South-West Ring Road (ESW Ring Road)



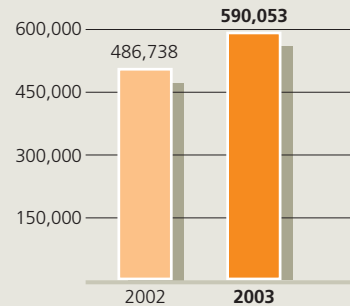
Annual Toll Revenue
(RMB million)

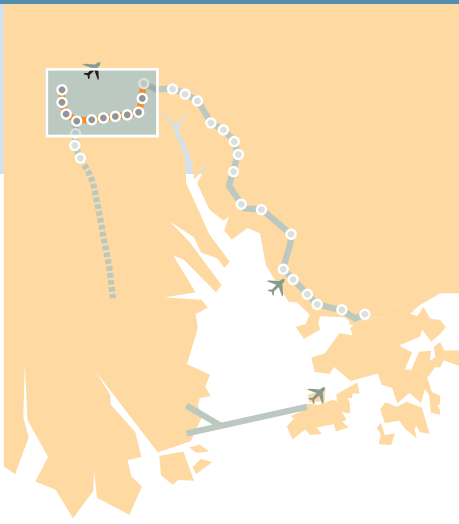


Average Daily Traffic
(No. of vehicles)



Average Daily Toll Revenue
(RMB)



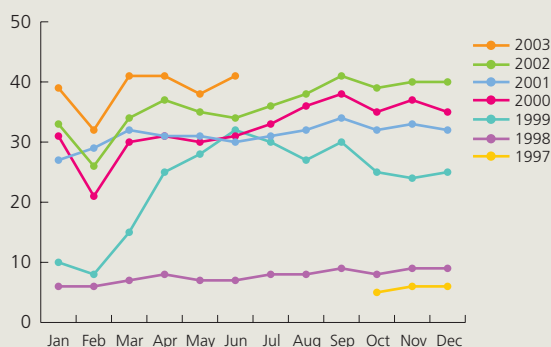


Project Summary

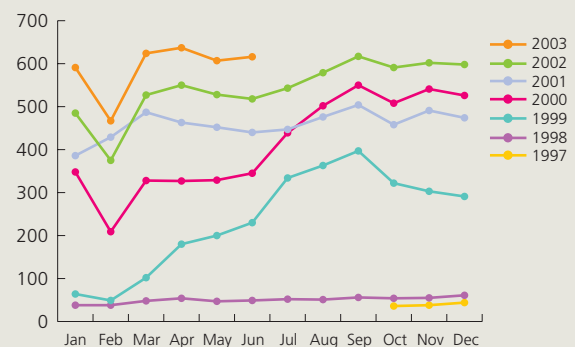
Location	Guangzhou, Guangdong, PRC
Length	38km
Lane	Dual three lane
Class	Expressway
JV Contractual Operation Period	Jan 2002 – Dec 2031
Profit Sharing Ratio	Year 1-10: 45.0% Year 11-20: 37.5% Year 21-30: 32.5%

The ESW Ring Road, is a 38 km long expressway with dual 3 lanes, 10 interchanges and computerised toll collection and surveillance systems. It is connected to the Guangzhou Northern Ring Road to form a ring road around the major centres of Guangzhou. There are also several connecting expressways and highways along the ESW Ring Road which ensure that traffic is able to reach a wider network of destinations. Over the past year, it continued to record steady growth. Its average daily tolled traffic figure stood at 38,930, 19% higher than last year's figures. Annual toll revenue reached RMB215 million, 21% higher than the previous financial year. Connecting expressways and highways currently under construction, once completed, will feed into the expressway, adding to HHI's revenue earning capability.

ESW Ring Road Average Daily Traffic
(No. of vehicles in thousand)



ESW Ring Road Average Daily Toll Revenue
(RMB thousand)





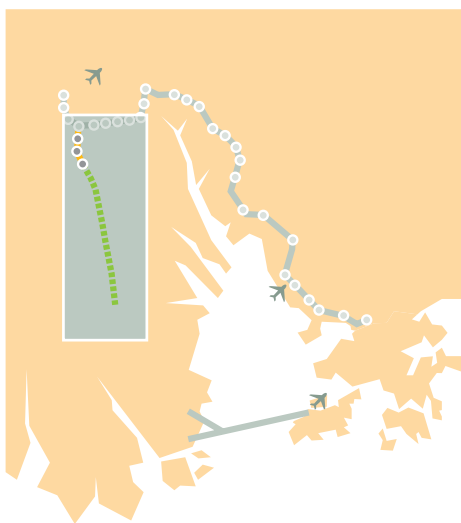
The strong growth of car ownership and vehicles production in Guangzhou and the development of districts in the northern and southern parts of Guangzhou have contributed to increased traffic flows along the expressway. Future connections will ensure that the volume of traffic using the expressway continues to grow.

A connecting road at the Huangqi interchange linking with the busy Guangfo Highway is now under construction and will be completed before the end of 2003. Moreover, the Phase 1 of the Western Delta Route connecting the ESW Ring Road at Hainan interchange, also under construction, will be completed in mid-2004. Other links are also being built at Xinzhou interchange and Luntou interchange to complete connections with both the Guangzhu East Expressway and the Guangzhou Southern Expressway.





Phase 1 of the Western Delta Route



This 14.7km dual three lane, closed system expressway is under construction and due for completion in mid-2004. It will be the only expressway linking Guangzhou and Shunde and will reduce travelling time between these two major cities from 40 minutes to 10-15 minutes. HHI retains the concession rights for the development of Phases 2 and 3 of the Western Delta Route. These phases involve 43km of expressway running from Shunde to Zhongshan. Once these three phases are completed, the Western Delta Route will directly link Guangzhou, Nanhai, Shunde and Zhongshan to Zhuhai. HHI is actively pursuing its development for Phases 2 and 3.

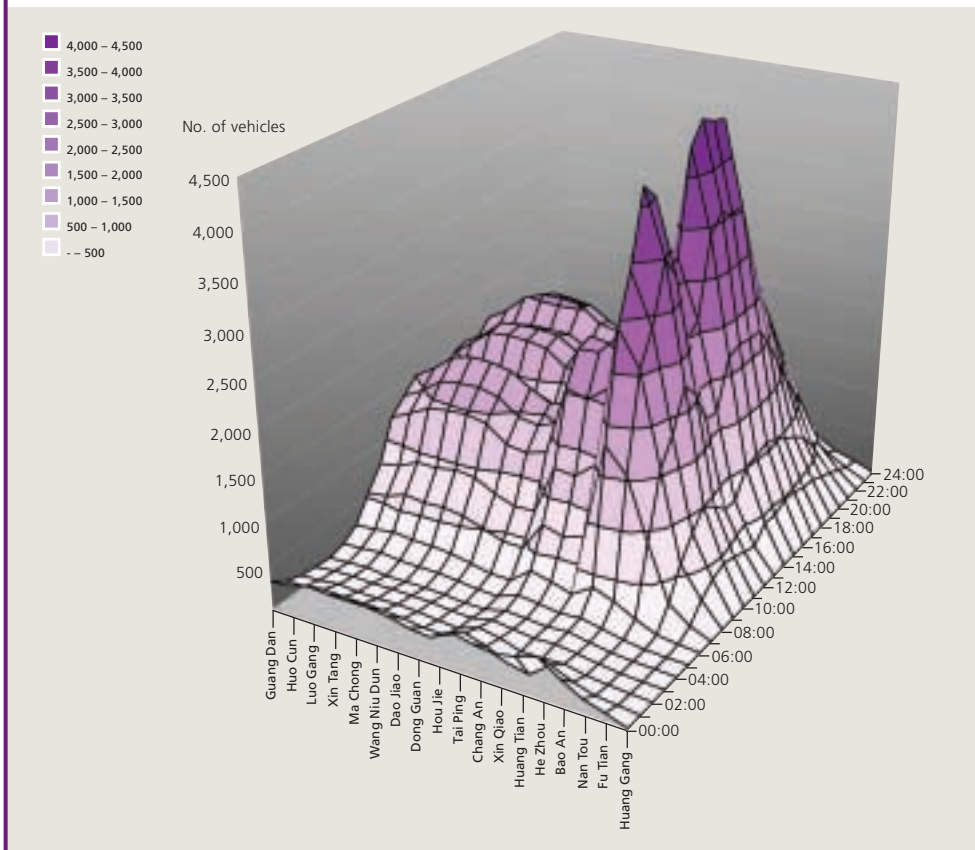


HK-Zhuhai-Macau Bridge-Tunnel

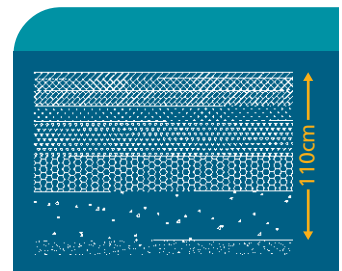
The proposed Y-shaped 29 km bridge-tunnel linking Hong Kong's western Lantau Island to the cities of Macau and Zhuhai, is designed to spur logistics, tourism and economic activities within the western Pearl River Delta. The Company has been an early and strong advocate of this idea, its necessity and viability, and HHI remains confident that it will play a vital role in this project should it proceed.

Expressway Expansion and Maintenance

GS Superhighway Daily Cross Sectional Traffic Flow (North Direction) – 20th June, 2003 (Fri)



HHI applies an advanced traffic management system to monitor road use and to predict when the demand in traffic-critical areas may warrant road expansion or new connections to feeder roads. As our joint venture companies already own the land that runs alongside their expressways, they can readily add additional traffic lanes quickly and relatively inexpensive. This provides HHI with a valid competitive edge. At the same time, our goal is to build quality expressways in materials that ensure a long life span, enhanced by a well-planned maintenance programme.



Typical dimension of road surface structure for GS Superhighway

“.....**E**ven after exposing to 8 years of heavy and high volume of traffic usage, the test results showed that the overall engineering performance of the superhighway maintains at good standard. It is not only resulted from the quality routine maintenance works, but also due to the advance design standart and approach in the implementation stage, which is vitally important.....”.

*Quoted from an article of **Appraisal of Road Surface for GS Superhighway** written by Mr. Deng Xiao Hua, the General Manager of Guangdong Provincial Highway Construction Company.*

Group Results

Highlights

- **Toll revenue increased by 12% to HK\$1,030 million;**
- **Net profit excluding interest income from shareholder's loans increased 17% to HK\$507 million;**
- **Total debt decreased by 14% to HK\$6,380 million;**

Toll revenue increased by 12% to HK\$1,030 million from HK\$918 million from the previous financial year, driven in large part by the increase in traffic flow of the Group's expressways in the PRC. Of total toll revenue, GS Superhighway contributed 92%, or HK\$944 million, and ESW Ring Road contributed 8%, or HK\$86 million. Of the HK\$112 million increase in toll revenue from the last fiscal year, GS Superhighway contributed HK\$97 million, or 87%, and ESW Ring Road contributed HK\$15 million, or 13%. Other operating income decreased by 55% from HK\$152 million to HK\$68 million, largely driven by the decrease in interest income derived from the Group's shareholder's loans to the GS Superhighway JV, which was fully repaid in February 2002. Total revenue (including toll revenue and other operating income) increased 3% from HK\$1,070 million in fiscal year 2002 to HK\$1,098 million in fiscal year 2003.

Net profit excluding interest income from shareholder's loans increased 17% from HK\$433 million in fiscal year 2002 to HK\$507 million this fiscal year. Net profit totalled HK\$533 million, approximately the same as HK\$532 million from the previous financial year. Generally, the decrease in interest income from shareholders loans due to the loan repayment from the GS Superhighway JV was more than compensated for by the strong growth in toll revenue.

Total expenses, including toll operating expenses, depreciation and amortisation expenses and general and administrative expenses increased from HK\$289 million in fiscal year 2002 to HK\$329 million in fiscal year 2003, mainly due to the increase in repair and maintenance cost and depreciation charges. Since, under the Group's accounting policies, depreciation and amortisation charges are calculated based on the ratio of actual traffic volume compared to the total expected traffic volume over the remaining operation period of respective jointly controlled entities, depreciation and amortisation charges were higher this year due to the stronger growth of traffic. Finance costs decreased 9% from HK\$221 million to HK\$201 million due to the lower interest rate environment. The Group's effective tax rate increased from 3.4% to 4.3%. Income tax expenses increased by 28% from HK\$19.3 million to HK\$24.7 million due to an increase in deferred tax provisions.

Liquidity and Financial Resources

During the year, the Group repaid HK\$577 million of bank and other loans and HK\$668 million of amount due to holding companies. As a result of the stable cash flow generated from its assets, the Group improved its total debt to total assets ratio, from 57% as at 30th June, 2002 to 51% as at 30th June, 2003. Assuming the Initial Public Offering in August 2003 was completed during fiscal year

2003, on a pro-forma basis, the total debt to total assets ratio would have been 38% as at 30th June, 2003 and the pro forma net debt to total equity ratio would have been 37% as at 30th June, 2003. Net cashflow was HK\$204 million for fiscal year 2003.

The Group's gearing structure is set out as follows:

	At 30th June		
	2002 HK\$ million	2003 HK\$ million	Pro Forma ⁽³⁾ HK\$ million
Equity ⁽¹⁾	5,321	5,846	8,726
Total Debt	7,408	6,380	5,464
Total Net Debt ⁽²⁾	7,310	6,079	3,201
Total Assets	12,933	12,487	14,451
Total Debt/Total Assets	57%	51%	38%
Net Debt/Total Equity	137%	104%	37%

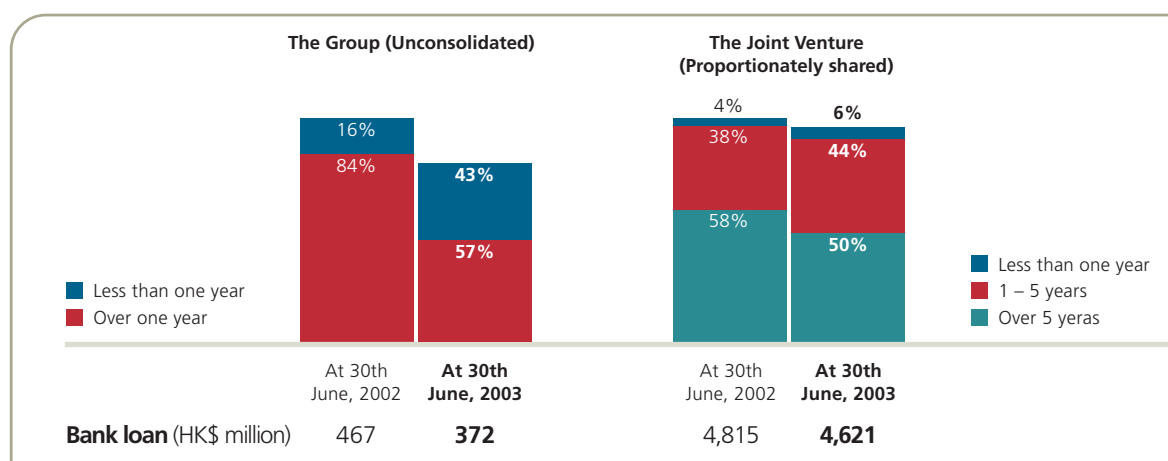
Notes:

(1) Assumes HK\$4,500 million of the amounts due to holding companies are capitalised;

(2) Net debt is defined as total debt less bank balances and cash;

(3) Assuming the Initial Public Offering in August 2003 was completed during fiscal year 2003, on a pro-forma basis, the balance at 30th June, 2003 was adjusted for estimated net listing proceeds of HK\$2,880 million less repayment of bank loans of HK\$372 million and repayment of shareholder's loans advanced by holding companies of HK\$544 million.

The maturity profile of the Group's bank borrowings at 30th June, 2003 as compared with that at 30th June, 2002 is shown as follows:



The Group (unconsolidated) borrowings are denominated in Hong Kong dollars and carry interest at floating rates. The Joint Venture companies borrowings are denominated in US dollars and Renminbi and carry floating interest rates.

The Group's average interest rate for bank loans for fiscal year 2003 was 2.7% (2002: 3.6%).

The directors have pleasure in presenting their annual report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30th June, 2003.

Corporate Reorganisation and Listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

The Company was incorporated on 14th January, 2003 as an exempted company with limited liability in the Cayman Islands under the Companies Law (Cap. 22). Pursuant to a corporate reorganisation of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 30th June, 2003. Details of the corporate reorganisation are set out in note 1 to the financial statements and the paragraph headed "Corporate Reorganisation" in Appendix IX of the prospectus of the Company dated 28th July, 2003 (the "Reorganisation").

The shares of the Company have been listed on the Stock Exchange with effect from 6th August, 2003.

Principal Activities

The principal activity of the Company is to initiate, promote, develop and operate strategically important expressways, tunnels, bridges and related infrastructure projects in the People's Republic of China ("PRC") through its jointly controlled entities established in the PRC.

Results

The results of the Group for the year ended 30th June, 2003 are set out in the consolidated income statement on page 35.

Dividends

The directors do not recommend payment of dividends for the year ended 30th June, 2003.

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Operations Review" as set out on pages 8 to 19.

Share Capital

Particulars of movement of the share capital of the Company from 14th January, 2003 (date of incorporation) to 30th June, 2003 are set out in note 20 to the financial statements.

Reserves

Movements in reserves of the Group during the year are set out in note 21 to the financial statements.

Fixed Assets

Movements in property and equipment of the Group during the year are set out in note 12 to the financial statements.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries of shares in the Company during the year except pursuant to the Reorganisation.

Directors

The directors of the Company as at the date of the report are listed on page 32 of the annual report. In accordance with the Company's Articles of Association, all the directors, except Mr. Thomas Jefferson WU and Mr. Alan Chi Hung CHAN, will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Profile of Directors and Senior Management

Sir Gordon Ying Sheung WU* KCMG, FICE

Aged 67, he is the Chairman of the Board of the Company. He graduated from Princeton University with a Bachelor of Science degree in engineering in 1958. He was responsible for the Group's infrastructure projects in the PRC and has been involved in the design and construction of numerous buildings and development projects of the Hopewell Group in Hong Kong and the PRC. He is also the Chairman of Hopewell Holdings Limited, the ultimate holding company of the Company.

He is very active in civic activities, including being the former chairman of the Hong Kong Port and Maritime Board, a member of the Commission on Strategic Development of the HKSAR, Hong Kong Logistic Development Council and the Chinese People's Political Consultative Conference. He is the Honorary Consul of the Republic of Croatia in Hong Kong, and an honorary citizen in a number of cities in the PRC and overseas.

Mr. Eddie Ping Chang HO*

Aged 71, he is the Vice Chairman of the Company. He has been in charge of negotiating all the joint ventures and financing for development projects in the PRC, including hotel, power plant and road infrastructure projects undertaken by the Group and the Hopewell Group. In addition, he has extensive experience in building and development projects in Hong Kong. He is a Honorary Citizen of the cities of Shenzhen and Shunde in the PRC. He is also the Vice Chairman and Managing Director of Hopewell Holdings Limited, the ultimate holding company of the Company.

Mr. Thomas Jefferson WU*

Aged 31, he is the Managing Director of the Company. He was awarded a Master of Business Administration degree from Stanford University and a bachelor degree in Mechanical and Aerospace Engineering from Princeton University. He is responsible for strategic planning, corporate policy and overall management of the Group. He is a son of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU. He is also the Deputy Managing Director of Hopewell Holdings Limited, the ultimate holding company of the Company.

Mr. Alan Chi Hung CHAN*

Aged 44, he is the Deputy Managing Director of the Company. He was awarded a Postgraduate Diploma in Management Studies by the City University of Hong Kong in 1989 and a Bachelor of Science degree from the Chinese University of Hong Kong in 1983. He is responsible for project coordination, management and administration of the expressway infrastructure and other projects in the PRC.

Ir. Leo Kwok Kee LEUNG* DIC FStructE, FICE

Aged 44, he is responsible for the design, engineering and construction of projects within the Group. He graduated from Imperial College of the University of London with a Master of Science degree with Distinction in Earthquake Engineering and Structural Dynamics in 1991 and was awarded a Bachelor of Science degree with First Class Honours from the Council for National Academic Awards in Civil Engineering as well as the Institution of Civil Engineers' Prize for his outstanding undergraduate performance in 1983. He previously worked in Singapore, Kenya, England and Hong Kong and acquired a wide range of experiences in highway, bridges and buildings designs and constructions, slipform and climbform techniques, dam and tunnel structures.

Mr. Li Jia HUANG*

Aged 61, he is primarily responsible for the operations and management of the expressways in Guangdong Province. He was previously the General Manager of Guangdong Provincial Highway Construction Company. During 1961 to 1979, he held senior positions in various commissions in Zhaoqing Municipality of PRC.

Mr. Cheng Hui JIA*

Aged 62, he is responsible for liaison and coordination with various PRC government authorities. He previously worked in aerospace research in the PRC for many years. He graduated from Harbin Industry University in 1964 with a Bachelor of Science degree.

Mr. Christopher Shih Ming IP*

Aged 34, he is involved in the Company's corporate financing activities as well as new project development. He was previously a vice president of mergers and acquisitions at Deutsche Bank and Morgan Stanley Dean Witter Asia Limited. He graduated from Brown University in the U.S. with a Bachelor of Arts degree in 1993 and from The London Business School with a Master of Business Administration degree in 1997.

Mr. Kojiro NAKAHARA

Aged 62, he was appointed an independent Non-executive Director of the Company on 10th July, 2003. He graduated from Tokyo Mercantile Marine University in 1964 with a Bachelor degree in Marine Engineering. He joined Kanematsu Corporation in 1964 and had held senior positions in Tokyo, Singapore and Hong Kong offices. He was appointed Managing Director of Kanematsu (Hong Kong) Limited in 1996 and retired in 2000.

Mr. Philip Tsung Cheng FEI

Aged 62, he was appointed an independent Non-executive Director of the Company on 10th July, 2003. He was awarded a Bachelor of Architectural Engineering degree from Cheng-Kung University in Taiwan in 1962; a Bachelor of Architecture degree from North Carolina State University in 1965 and a Master of Science degree in City Planning from Pratt Institute in the U.S. in 1974. He is the managing partner at Fei & Cheng Associates, an architectural and planning firm. He has over 30 years' experience in planning and architectural projects. Prior to establishing Fei & Cheng Associates, he worked for a number of architecture firms in the U.S.

Mr. Lee Yick NAM

Aged 56, he was appointed an independent Non-executive Director of the Company on 10th July, 2003 and the chairman of the audit committee of the Company on 16th July, 2003. He holds a certificate in management studies from Carnegie Mellon University of U.S. in 1977. He has over 30 years' experience in the banking, investment and finance industry. He was an Executive Director of Liu Chong Hing Bank from 1990 to 2001. Prior to that, he was a Vice President at Citibank, Mellon Bank and American Express Bank.

Mr. Gordon YEN

Aged 33, he was appointed an independent Non-executive Director of the Company on 10th July, 2003. He was awarded a Bachelor degree in Manufacturing Engineering from Boston University, U.S. in 1990 and a Master of Business Administration degree from McGill University, Canada in 1992. He is currently the Assistant to Chairman of Fountain Set (Holdings) Limited.

*Note: * Executive Directors*

Senior Management

Various business of the Group are respectively under the direct responsibility of the Executive Directors of the Company named above and they are regarded as members of the Group's senior management.

Directors' Interest in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party or were parties 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.

Directors' Interests

As the shares of the Company were listed on the Stock Exchange on 6th August, 2003, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance ("SFO") as at 30th June, 2003.

Immediately upon the listing of the Company, the interests and short positions of the directors and chief executives of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which required notification pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Beneficial interests and short positions in shares (the "Shares") and underlying shares of equity derivatives of the Company(i)

Directors	Equity derivatives				Shares	Total interest	Total interests as percentage of shares in issue
	Personal interest (held as beneficial owner)	Family interest (interests of spouse or child under 18)	Corporate interests (ii) (interests of controlled corporation)	Other interests			
Gordon Ying Sheung WU	6,249,403	2,191,000(iii)	11,124,999 (iv)	3,068,000 (v)	–	22,633,402	0.79
Eddie Ping Chang HO	1,936,000	24,600	205,000	–	–	2,165,600	0.08
Thomas Jefferson WU	2,435,000	–	82,000	–	–	2,517,000	0.09
Leo Kwok Kee LEUNG	1,000	–	–	–	–	1,000	0
Kojiro NAKAHARA	1,067	–	–	–	–	1,067	0

Notes:

- (i) All interests in the Shares and underlying shares of equity derivatives of the Company were long positions. All interests in underlying shares of equity derivatives of the Company were interests in warrants of the Company which conferred rights to subscribe for Shares at an initial subscription price per Share equivalent to the initial public offer price of the Shares (subject to adjustment) exercisable during a period of 3 years commencing on 6th August, 2003. None of the directors or chief executives held any short position in the Shares and underlying shares of equity derivatives of the Company.
- (ii) These equity derivatives were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The family interests of 2,191,000 warrants represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.
- (iv) The corporate interests of 11,124,999 warrants represented the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure included 6,119,000 warrants held by Lady Ivy Sau Ping KWOK WU through corporations.
- (v) The other interests of 3,068,000 warrants represented the interests held by Sir Gordon Ying Sheung WU jointly with Lady Ivy Sau Ping KWOK WU.

(b) Beneficial interests and short positions in the shares and underlying shares of equity derivatives of the associated corporations(i)

Directors	Name of Company	Shares					Equity derivatives(v)	Total interest	Total interest as percentage of shares in issue
		Personal	Family	Corporate (ii)	Other				
Gordon Ying Sheung WU	Hopewell Holdings Limited	62,494,032	21,910,000 (iii)	111,250,000 (iv)	30,680,000	-	226,334,032	25.84	
Eddie Ping Chang HO	Hopewell Holdings Limited	19,360,000	246,000	2,050,000	-	-	21,656,000	2.47	
Thomas Jefferson WU	Hopewell Holdings Limited	24,350,000	-	820,000	-	2,500,000	27,670,000	3.16	
Alan Chi Hung CHAN	Hopewell Holdings Limited	-	-	-	-	1,000,000	1,000,000	0.11	
Cheng Hui JIA	Hopewell Holdings Limited	-	-	-	-	800,000	800,000	0.09	
Leo Kwok Kee LEUNG	Hopewell Holdings Limited	10,000	-	-	-	-	10,000	0	
Lee Yick NAM	Hopewell Holdings Limited	90,000	-	-	-	-	90,000	0.01	
Kojiro NAKAHARA	Hopewell Holdings Limited	10,671	-	-	-	-	10,671	0	

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives in associated corporations were long positions. None of the directors or chief executives held any short position in shares and underlying shares of equity derivatives of associated corporations.
- (ii) These shares were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting
- (iii) The family interests of 21,910,000 shares represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.
- (iv) The corporate interests of 111,250,000 shares represented the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure included 61,190,000 shares held by Lady Ivy Sau Ping KWOK WU through corporations.
- (v) The interests in underlying shares of equity derivatives represented interest of options granted to directors under the share option scheme of Hopewell Holdings Limited to subscribe for shares of Hopewell Holdings Limited, further details of which are set out in item (c) below.
- (vi) Certain directors held shares in certain subsidiaries of Hopewell Holdings Limited as nominees for their holding companies.

(c) Beneficial interests and short positions in underlying shares of equity derivatives of associated corporations

Name of Director	Date of Grant	Number of share options outstanding with exercise price HK\$6.15 per share in Hopewell Holdings Limited	Period during which share options are exercisable
Thomas Jefferson WU	3rd April, 2002	2,500,000	3rd October, 2002 to 2nd October, 2005
Alan Chi Hung CHAN	2nd April, 2002	1,000,000	2nd October, 2002 to 1st October, 2005
Cheng Hui JIA	2nd April, 2002	800,000	2nd October, 2002 to 1st October, 2005

(d) Beneficial interests in debentures in associated corporations

Immediately following the listing of the Company, the beneficial interests of the directors or chief executives in debentures of associated corporations were as follows:-

- (i) The 9⁷/₈% Notes due 2004 for a face amount of US\$4,850,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by companies in which Mr. Thomas Jefferson WU was entitled to the exercise of 1/3 or more of the voting power at their general meetings.

- (ii) The 9⁷/₈% Notes due 2004 for a face amount of US\$400,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by Mr. Lee Yick NAM.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund (“MPF”) Scheme Ordinance, the Group has set up the MPF Scheme. Mandatory contributions to this scheme is made by both the employers and employees at 5% of the employees’ monthly relevant income capped at HK\$20,000.

During the year, the Group made contributions to the MPF Scheme amounted to HK\$194,000.

Share Options

The share option scheme of the Company was approved by the written resolutions of the sole shareholder of the Company passed on 16th July, 2003 and approved by shareholders of Hopewell Holdings Limited at an extraordinary general meeting held on 16th July, 2003 (the “Option Scheme”). The purpose of the Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to (i) any executive or non-executive directors including independent non-executive directors or any employees of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group; (iv) any chief executives, or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company.

Under the Option Scheme, the maximum number of shares in the Company which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme of the Company will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company immediately following completion of the initial public offering. The maximum entitlement of each participant under the Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company. As at 6th August 2003, a total of 288,000,000 shares (representing 10% of the then issued share capital of the Company) were available for issue under the Option Scheme.

The period under which an option may be exercised will be determined by the Board of Directors of the Company in its discretion and shall expire not later than 10 years after the date of grant. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine and notified to a participant. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of acceptance of an offer of grant, (or, if such date is not a business day, the next following business day ("Grant Date")); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value of a share in the Company.

The Option Scheme will expire on 15th July, 2013. No option was granted by the Company since the adoption of the Option Scheme.

Arrangements to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries 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, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Employees

As of 30th June, 2003, the Group had a total of 31 full-time staff, with 26 in Hong Kong and 5 in the PRC. We provide competitive remuneration packages to our employees based on the market condition and individual performance. Besides, we also provide various fringe benefits including medical and personal accident insurance coverage. To maintain the efficiency of our staff, training programs are conducted on an ongoing basis throughout the Group.

Service Contracts of Directors

No directors 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 employing company within one year without the payment of compensation (other than statutory compensation).

All the Independent Non-executive Directors of the Company are appointed for a fixed period or such other date as agreed between each individual director and the Company. However, they are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Company's Articles of Association.

No contracts of significance concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

Substantial Shareholders

As the shares of the Company were listed on the Stock Exchange on 6th August, 2003, the Company was not required to keep any register under Part XV of the SFO as at 30th June, 2003.

Immediately following the listing of the Company, so far as the directors are aware, the interests of 5% or more of the Shares and underlying shares of equity derivatives of the Company discloseable under the SFO were as follows:-

(a) Interests in Shares of the Company

Name	Number of Shares	Percentage
Anber Investments Limited	2,160,000,000	75%
Delta Roads Limited (i)	2,160,000,000	75%
Dover Hills Investments Limited (ii)	2,160,000,000	75%
Supreme Choice Investments Limited (iii)	2,160,000,000	75%
Hopewell Holdings Limited (iv)	2,160,000,000	75%

Notes:

- (i) This represented the same block of Shares shown against the name of Anber Investments Limited above. Since Anber Investments Limited was wholly-owned by Delta Roads Limited, Delta Roads Limited was deemed to be interested in the same number of Shares held by Anber Investments Limited under Part XV of the SFO.
- (ii) As Delta Roads Limited was wholly-owned by Dover Hills Investments Limited, Dover Hills Investments Limited was deemed to be interested in the same number of Shares which Delta Roads Limited was deemed to be interested under Part XV of the SFO.
- (iii) As Dover Hills Investments Limited was wholly-owned by Supreme Choice Investments Limited, Supreme Choice Investments Limited was deemed to be interested in the same number of Shares which Dover Hills Investments Limited was deemed to be interested under Part XV of the SFO.
- (iv) As Supreme Choice Investments Limited was wholly-owned by Hopewell Holdings Limited, Hopewell Holdings Limited was deemed to be interested in the same number of Shares which Supreme Choice Investments Limited was deemed to be interested under Part XV of the SFO.

(b) Interests in underlying shares of equity derivatives of the Company (i)

Name	Number of Shares	Percentage
Bank of China (Hong Kong) Limited	144,000,000	5%
BOC Hong Kong (Holdings) Limited (ii)	144,000,000	5%
BOC Hong Kong (BVI) Limited (iii)	144,000,000	5%
BOC Hong Kong (Group) Limited (iv)	144,000,000	5%
Bank of China (v)	144,000,000	5%

Notes:

- (i) All interests in underlying shares of equity derivatives of the Company were options granted by Hopewell Holdings Limited to purchase from it shares in the Company.
- (ii) This represented the same block of underlying shares shown against the name of Bank of China (Hong Kong) Limited above. Since Bank of China (Hong Kong) Limited was wholly-owned by BOC Hong Kong (Holdings) Limited, BOC Hong Kong (Holdings) Limited was deemed to be interested in the same number of underlying shares held by Bank of China (Hong Kong) Limited under Part XV of the SFO.
- (iii) As 74.37% of the interest in BOC Hong Kong (Holdings) Limited was controlled by BOC Hong Kong (BVI) Limited, BOC Hong Kong (BVI) Limited was deemed to be interested in the same number of underlying shares which BOC Hong Kong (Holdings) Limited was deemed to be interested under Part XV of the SFO.
- (iv) As BOC Hong Kong (BVI) Limited was wholly-owned by BOC Hong Kong (Group) Limited, BOC Hong Kong (Group) Limited was deemed to be interested in the same number of underlying shares which BOC Hong Kong (BVI) Limited was deemed to be interested under Part XV of the SFO.
- (v) As BOC Hong Kong (Group) Limited was wholly-owned by Bank of China, Bank of China was deemed to be interested in the same number of underlying shares which BOC Hong Kong (Group) Limited was deemed to be interested under Part XV of the SFO.

Pre-emptive Rights

There are no provision 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 pro-rata basis to existing shareholders.

Code of Best Practice

The Company has complied with The Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") since its listing on the Stock Exchange on 6th August, 2003.

Audit Committee

The Company has established an audit committee on 16th July, 2003 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three Independent Non-executive Directors, namely Mr. Lee Yick NAM, the chairman of the committee, Mr. Philip Tsung Cheng FEI and Mr. Kojiro NAKAHARA.

Post Balance Sheet Events

Details of the post balance sheet events are set out in note 31 to the financial statements.

Auditors

The financial statements for the year ended 30th June, 2003 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU KCMG, FICE

Chairman

Hong Kong, 8th September, 2003

Board of Directors

Sir Gordon Ying Sheung WU* KCMG, FICE

Chairman

Mr. Eddie Ping Chang HO*

Vice Chairman

Mr. Thomas Jefferson WU*

Managing Director

Mr. Alan Chi Hung CHAN*

Deputy Managing Director

Ir. Leo Kwok Kee LEUNG*

Mr. Li Jia HUANG*

Mr. Cheng Hui JIA*

Mr. Christopher Shih Ming IP*

Mr. Kojiro NAKAHARA

Mr. Philip Tsung Cheng FEI

Mr. Lee Yick NAM

Mr. Gordon YEN

* *Executive directors*

Company Secretary

Mr. Peter Yip Wah LEE

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Hong Kong

Auditors

Deloitte Touche Tohmatsu

26th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Principal Bankers

Bank of China, Guangdong Branch

Bank of China (Hong Kong) Limited

China Construction Bank, Guangdong Branch

Cayman Islands Share and Warrant Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited

36C Bermuda House

British American Centre

Dr. Roy's Drive

George Town

Grand Cayman

Cayman Islands

Hong Kong Share and Warrant Registrar and Transfer Office

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Report of the Auditors

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**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED

合和公路基建有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 35 to 64 which have been prepared in accordance with International Financial Reporting Standards.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 8th September, 2003

Consolidated Income Statement

For the year ended 30th June, 2003

	Notes	2002 HK\$'000	2003 HK\$'000
Turnover	3	918,450	1,030,350
Other operating income	4	151,639	68,055
Toll operation expenses		(77,549)	(87,803)
Depreciation and amortisation expenses		(160,905)	(186,310)
General and administrative expenses		(50,222)	(54,864)
Profit from operations	5	781,413	769,428
Finance costs	6	(220,635)	(200,628)
Profit before tax		560,778	568,800
Income tax expense	7	(19,298)	(24,740)
Profit after tax		541,480	544,060
Minority interests		(9,051)	(10,981)
Profit for the year		532,429	533,079
Dividends	8	2,200,000	–
		HK\$	HK\$
Earnings per share – basic	9	0.25	0.25

Consolidated Balance Sheet

At 30th June, 2003

	Notes	2002 HK\$'000	2003 HK\$'000
ASSETS			
Non-current Assets			
Property and equipment	12	9,098,700	9,000,553
Additional investment cost in jointly controlled entities	13	1,934,308	1,900,258
Toll road project under development	15	430,513	151,237
Loans to jointly controlled entities	16	1,209,208	1,014,416
		12,672,729	12,066,464
Current Assets			
Inventories		5,064	1,928
Accounts receivable, deposits and prepayments		129,512	71,406
Interest receivable from a joint venture partner	17	27,521	45,813
Bank balances and cash	18	97,819	301,293
		259,916	420,440
Total Assets		12,932,645	12,486,904
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	20	312	312
Reserves	21	820,788	1,346,169
		821,100	1,346,481
Minority Interests		18,732	29,714
Non-current Liabilities			
Bank and other loans – due after one year	22	5,171,533	4,662,467
Other interests payable – due after one year	23	18,163	–
Loans from joint venture partners	24	746,007	719,502
Amounts due to holding companies	25	5,711,311	5,043,452
Deferred tax liabilities	26	91,900	116,405
		11,738,914	10,541,826

Consolidated Balance Sheet (continued)

At 30th June, 2003

	Notes	2002 HK\$'000	2003 HK\$'000
Current Liabilities			
Accounts payable and deposits received		49,389	53,425
Bank and other loans – due within one year	22	253,857	426,406
Interest payable to a jointly controlled entity	27	34,478	55,599
Other interests payable – due within one year	23	16,125	33,403
Tax liabilities		50	50
		353,899	568,883
Total Equity and Liabilities		12,932,645	12,486,904

Thomas Jefferson WU
DIRECTOR

Christopher Shih Ming IP
DIRECTOR

Company Balance Sheet

At 30th June, 2003

	Note	2003 HK\$'000
ASSETS		
Non-current Assets		
Investments in subsidiaries, at cost		312
Amount due from a subsidiary		156
Total Assets		468
EQUITY AND LIABILITY		
Capital		
Share capital	20	312
Non-current Liability		
Amount due to a subsidiary		156
Total Equity and Liability		468

Thomas Jefferson WU
DIRECTOR

Christopher Shih Ming IP
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2003

	<i>Share capital</i>	<i>PRC statutory reserves</i>	<i>Translation reserve</i>	<i>Retained profits</i>	<i>Total</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st July, 2001	312	–	23,757	2,465,779	2,489,848
Exchange differences on operations outside Hong Kong not recognised in the income statement	–	–	(1,177)	–	(1,177)
Profit for the year	–	–	–	532,429	532,429
Appropriation of retained profits	–	22,884	–	(22,884)	–
Dividends	–	–	–	(2,200,000)	(2,200,000)
Balance at 30th June, 2002	312	22,884	22,580	775,324	821,100
Exchange differences on operations outside Hong Kong not recognised in the income statement	–	–	(7,698)	–	(7,698)
Profit for the year	–	–	–	533,079	533,079
Appropriation of retained profits	–	33,580	–	(33,580)	–
Balance at 30th June, 2003	312	56,464	14,882	1,274,823	1,346,481

Consolidated Cash Flow Statement

For the year ended 30th June, 2003

	2002 HK\$'000	2003 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	560,778	568,800
Adjustments for:		
Interest expenses	216,590	199,729
Interest income	(120,792)	(49,893)
Exchange (gains) losses, net	(1,538)	1,236
Depreciation and amortisation expenses	160,905	186,310
Operating cash flows before movements in working capital	815,943	906,182
(Increase) decrease in inventories	(491)	3,136
(Increase) decrease in accounts receivable, deposits and prepayments	(102,252)	92,112
(Decrease) increase in accounts payable and deposits received	(10,738)	4,036
Cash generated from operations	702,462	1,005,466
Interest received	5,467	6,369
Income taxes paid	(398)	(235)
NET CASH FROM OPERATING ACTIVITIES	707,531	1,011,600
INVESTING ACTIVITIES		
Additional investment cost in jointly controlled entities	(1,179)	(3,109)
Repayment of toll road project under development	–	270,966
Proceeds on disposal of property and equipment	16,229	4,313
Repayment of additional investment cost in jointly controlled entities	–	5,057
Purchases of property and equipment	(8,849)	(96,265)
Repayment of loans to jointly controlled entities	3,171,253	220,876
NET CASH FROM INVESTING ACTIVITIES	3,177,454	401,838
FINANCING ACTIVITIES		
Interest paid	(293,876)	(178,664)
New bank and other loans raised	3,296,710	240,210
Repayment of bank and other loans	(1,295,922)	(576,727)
Repayment of loans from joint venture partners	(143,077)	(26,799)
Repayment to holding companies	(5,868,473)	(667,859)
NET CASH USED IN FINANCING ACTIVITIES	(4,304,638)	(1,209,839)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(419,653)	203,599
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	512,749	97,819
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,723	(125)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Bank balances and cash	97,819	301,293

Notes to the Financial Statements

For the year ended 30th June, 2003

1. CORPORATE REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated on 14th January, 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's ultimate holding company is Hopewell Holdings Limited, a public limited liability company incorporated in Hong Kong whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Details of the principal activities of the subsidiaries and jointly controlled entities are set out in notes 32 and 14 respectively.

Pursuant to a group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares (the "Listing") on the Stock Exchange, the Company issued shares in exchange for the entire issued share capital of Jetgold Limited, Yager International Limited and Wilberforce International Limited and thereby became the holding company of the Group on 30th June, 2003.

On 23rd July, 2003, 2,156,879,750 shares of HK\$0.1 each were allotted and issued, credited as fully paid at par, on capitalisation of the sum of HK\$4,500 million due to holding companies of the Group ("Capitalisation Issue").

On 5th August, 2003, 720,000,000 new shares of the Company of HK\$0.1 each were issued at HK\$4.18 per share for cash through an initial public offering by way of public offer.

Details of the above issues of shares are set out in the prospectus dated 28th July, 2003 issued by the Company. The shares of the Company have been listed on the Stock Exchange with effect from 6th August, 2003.

The Group resulting from the Corporate Reorganisation is regarded as a continuing entity. Accordingly, the financial statements have been prepared using the principles of merger accounting.

The measurement currency of the operations of the Group's jointly controlled entities is Renminbi. However, the financial statements are presented in Hong Kong dollars as the directors consider this presentation is more useful for its current and potential investors.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards. 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 and jointly controlled entities made up to each balance sheet date.

The results of operation of subsidiaries and share attributable to minority interests are accounted for in the consolidated income statement. The results of operation of jointly controlled entities are accounted for by proportionate consolidation as described below.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

Subsidiaries are those entities in which the Company has control over the operations. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Interests in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation based on the profit-sharing ratios specified in the relevant joint venture agreements. The Group's share of the income, expenses, assets and liabilities, of jointly controlled entities, other than the transactions and balances between the Group and jointly controlled entities, are consolidated with the equivalent items in the consolidated financial statements on a line-by-line basis. Transactions and balances between the Group and the jointly controlled entities are eliminated to the extent of the Group's share of the relevant income, expenses, receivables and payables of the jointly controlled entities. Unrealised profits and losses arising on transactions with the jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Additional investment cost in jointly controlled entities

The Group has incurred additional development expenditure for the construction and development of the toll roads operated by the jointly controlled entities ("Additional Development Cost"), which were not accounted for by those entities. On proportionate consolidation, a portion of such costs, calculated based on the Group's interest in the jointly controlled entities is included in the costs of toll roads. The remainder of such costs is carried as additional investment cost in jointly controlled entities and is amortised on the same basis adopted by the relevant jointly controlled entities in depreciating their toll roads.

On disposal of a jointly controlled entity, the attributable amount of unamortised Additional Development Cost is included in the determination of the profit or loss on disposal.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairments losses, where appropriate. Improvements are capitalised while repairs and maintenance are charged to the income statement as incurred.

Construction in progress is not depreciated until the construction of the related assets is completed.

The cost of toll roads includes the Group's proportionate share of (i) the construction costs of the toll roads recorded in the jointly controlled entity's financial statements and (ii) the Additional Development Cost. The balance of the Additional Development Cost not included in the costs of toll roads has been presented separately as additional investment cost in jointly controlled entities.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment *(continued)*

Depreciation of toll roads is calculated to write off their costs, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume over the remaining period of respective jointly controlled entities as estimated by management or by reference to traffic projection reports prepared by independent traffic consultants.

Depreciation of other property and equipment is calculated to write off their costs over their estimated useful lives, using the straight-line method, at 20% per annum.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Revenue recognition

Toll fee income from the operation of toll roads is recognised at the time of usage and when the tolls are received.

Interest income from capital contributed and loans made to jointly controlled entities is recognised based on the applicable interest rates set out in the joint venture agreements.

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

Rental income, which consists primarily of income from lease of spaces underneath the toll road and renting of machinery and equipment to local contractors, is recognised on a straight-line basis over the term of the relevant leases.

Leasing

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

Foreign currencies

Transactions in currencies other than Hong Kong dollars, the reporting currency, are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong and the jointly controlled entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending for their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to retirement benefit schemes are dealt with as payments to defined contribution plans where the obligations under the schemes of the Group and the jointly controlled entities are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the 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 differences are related to goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

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 any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories, representing materials, spare parts and other consumable stores, are stated at cost less allowance for obsolescence, if necessary. Cost comprises all costs of purchases and other costs that have been incurred in bringing the inventories to their present location and condition and is calculated using the first in, first out method.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Accounts receivable, deposits and prepayments

Accounts receivable, deposits and prepayments are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Bank and other borrowings

Interest-bearing bank and other loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts payable and deposits received

Accounts payable and deposits received are stated at their nominal value.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the Group's proportionate share of the jointly controlled entities' toll fee income received and receivable from the operations of toll roads, net of business tax.

The Group only has one business segment, namely the development, operation and management of toll roads in the People's Republic of China (the "PRC") through its jointly controlled entities established in the PRC.

No geographical segment analysis is presented as management considers that the Group has only one single geographical segment.

4. OTHER OPERATING INCOME

	2002 HK\$'000	2003 HK\$'000
Interest income from:		
A jointly controlled entity	98,814	25,766
A joint venture partner	16,511	17,758
Bank deposits	5,467	6,369
Rental income	2,225	5,891
Exchange gains, net	1,538	–
Reimbursement of operating expenses from jointly controlled entities	3,006	3,238
Other income	24,078	9,033
	151,639	68,055

5. PROFIT FROM OPERATIONS

	2002 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	725	744
Directors' emoluments (note 11)	3,382	2,682
Exchange losses, net	–	1,236
Other staff costs (excluding directors)	41,260	46,001
Amortisation of additional investment cost in jointly controlled entities	28,249	32,102
Depreciation of:		
Toll roads	128,063	150,031
Other property and equipment	4,593	4,177

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

6. FINANCE COSTS

	2002 HK\$'000	2003 HK\$'000
Interest on:		
Bank loans	176,177	173,005
Loan from a jointly controlled entity	16,511	21,653
Loan from a joint venture partner	669	297
Amount due to ultimate holding company	4,024	–
Other loans	19,209	4,774
	216,590	199,729
Other financial expenses	4,045	899
Total borrowing costs	220,635	200,628

7. INCOME TAX EXPENSE

	2002 HK\$'000	2003 HK\$'000
PRC income tax	398	235
Deferred taxation (note 26)	18,900	24,505
	19,298	24,740

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong.

Pursuant to relevant laws and regulations in the PRC, the Group's jointly controlled entities are entitled to certain exemption and relief from PRC income tax. The normal tax rate applicable to the taxable income of a foreign investment enterprise in the PRC is 33%, comprising the standard national tax rate of 30% and the local tax rate of 3%.

Pursuant to an approval from the Guangdong Tax Bureau, the rate of foreign enterprise income tax payable by 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"), a jointly controlled entity of the Group, in respect of its income arising from the operation of toll roads and related service facilities (excluding hotels and entertainment facilities) is 15% and GS Superhighway JV is entitled to a five year exemption from foreign enterprise income tax for such income commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. For the following five years, it will enjoy a 50% reduction in the rate of income tax payable in respect of such income. Pursuant to another approval from the Guangdong Tax Bureau, GS Superhighway JV is also exempt from paying a local income tax (currently set at a rate of 3%) in respect of income arising from the operation of toll road and related service facilities for ten years commencing from the first profit-making year. The first year for which GS Superhighway JV recorded profits for PRC tax purposes was the year ended 31st December, 2000.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

7. INCOME TAX EXPENSE (continued)

Pursuant to an approval from the Guangzhou branch of the State Tax Bureau, the rate of foreign enterprise income tax payable by 廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), another jointly controlled entity of the Group, in respect of its income arising from the operation of toll road is 15%. Pursuant to an approval from the Guangzhou Municipal Government, Ring Road JV is entitled to a five year exemption from foreign enterprise income tax for income arising from the operation of toll road commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. For the following five years, it will enjoy a 50% reduction in the rate of foreign enterprise income tax payable. In respect of income arising from toll operations and related service facilities, Ring Road JV is also exempted from paying a local income tax (currently set at a rate of 3%) for ten years commencing from the first profit-making year. Because Ring Road JV has not yet recorded profits for PRC tax purposes, the exemptions from paying foreign enterprise income tax and local income tax have so far had no effect on Ring Road JV.

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

	2002 HK\$'000	2003 HK\$'000
Profit before tax	560,778	568,800
Tax calculated at normal income tax rate of 33%	185,057	187,704
Tax effect of:		
Non-taxable income	(182,674)	(175,322)
Non-deductible expenses	39,595	41,764
Differential tax rate on temporary difference of jointly controlled entities	(22,680)	(29,406)
Tax expense	19,298	24,740

8. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The amount of dividends disclosed for the prior year represents the dividends declared by a subsidiary of the Company to its then shareholders during the year ended 30th June 2002. Those dividends were settled through current accounts with the holding companies.

9. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit for the year of HK\$533,079,000 (2002: HK\$532,429,000) and on 2,160,000,000 shares which represent 3,120,250 shares in issue as at 30th June 2003 upon the Corporate Reorganisation and 2,156,879,750 shares, issued pursuant to the Capitalisation Issue, deemed to be outstanding throughout both years.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

10. RETIREMENT BENEFITS PLANS

The aggregate numbers of employees of the Group and the jointly controlled entities were 2,083 and 2,208 at 30th June, 2002 and 2003 respectively.

At 30th June, 2003, the employees of the Group joined the Mandatory Provident Fund ("MPF") Scheme operated by its ultimate holding company. Mandatory contributions to the scheme are made by both the employer and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. At the balance sheet date, there were no forfeited contributions available to reduce future obligations. The contributions made by the Group to the MPF Schemes for the year are approximately HK\$194,000 (2002: HK\$183,000).

The employees of the Group's PRC jointly controlled entities are members of state-managed retirement benefit schemes operated by the PRC Government. These entities are required to contribute 18% of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the jointly controlled entities with respect to the retirement benefit schemes is to make the specified contributions. The Group's proportionate share of the contributions made by the jointly controlled entities for the year are approximately HK\$3,926,000 (2002: HK\$3,447,000).

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors

Details of emoluments paid by the Group during the year to the persons who are the directors of the Company after the Listing are as follows:

	<i>2002</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Fees	–	–
Salaries and other benefits	2,358	2,194
Performance related bonus	1,000	464
Contributions to retirement benefits plans	24	24
Total emoluments	3,382	2,682

The emoluments of the directors were within the following bands:

	<i>2002</i> <i>Number of</i> <i>directors</i>	<i>2003</i> <i>Number of</i> <i>directors</i>
Nil to HK\$1,000,000	11	11
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

Five highest paid employees' emoluments

The five highest paid individuals of the Group include 2 persons who are the directors of the Company after the Listing whose emoluments are included in the above disclosures. The emoluments of the remaining individuals, which are individually below HK\$1,000,000, are as follows:

	2002 HK\$'000	2003 HK\$'000
Salaries and other benefits	2,090	1,742
Contributions to retirement benefits plans	36	36
Total emoluments	2,126	1,778

During the two years ended 30th June, 2003, no emoluments were paid by the Group to any of the persons who are directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and none of the persons who are directors of the Company waived any emoluments.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

12. PROPERTY AND EQUIPMENT

THE GROUP

	<i>Toll roads</i> HK\$'000	<i>Motor vehicles</i> HK\$'000	<i>Furnitures, fixtures and equipment</i> HK\$'000	<i>Construction in progress</i> HK\$'000	<i>Total</i> HK\$'000
COST					
At 1st July, 2002	9,689,221	20,129	9,824	227	9,719,401
Additions	92,554	798	2,888	25	96,265
Exchange differences	(2,032)	(3)	(2)	–	(2,037)
Transfer	252	445	(445)	(252)	–
Disposals	(38,143)	(827)	–	–	(38,970)
At 30th June, 2003	9,741,852	20,542	12,265	–	9,774,659
ACCUMULATED DEPRECIATION					
At 1st July, 2002	602,267	13,817	4,617	–	620,701
Charge for the year	150,031	3,044	1,133	–	154,208
Exchange differences	(148)	(2)	(1)	–	(151)
Eliminated on disposals	–	(652)	–	–	(652)
At 30th June, 2003	752,150	16,207	5,749	–	774,106
CARRYING AMOUNT					
At 30th June, 2002	9,086,954	6,312	5,207	227	9,098,700
At 30th June, 2003	8,989,702	4,335	6,516	–	9,000,553

Note:

At the balance sheet dates, the toll roads and other assets of the jointly controlled entities have been pledged to secure the bank loan facilities granted to the Group and its jointly controlled entities. The carrying value of the toll roads included above which have been pledged are approximately HK\$8,989,702,000 (2002: HK\$9,086,954,000).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

13. ADDITIONAL INVESTMENT COST IN JOINTLY CONTROLLED ENTITIES

THE GROUP

HK\$'000

COST

At 1st July, 2002	2,075,460
Additions	3,109
Disposals	(5,057)
At 30th June, 2003	2,073,512

AMORTISATION

At 1st July, 2002	141,152
Charge for the year	32,102
At 30th June, 2003	173,254

CARRYING AMOUNT

At 30th June, 2002	1,934,308
At 30th June, 2003	1,900,258

14. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Particulars of the Group's jointly controlled entities at 30th June, 2003 are as follows:

<i>Name of company</i>	<i>Place of establishment</i>	<i>Registered capital</i>	<i>Principal activity</i>
廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV")	The PRC	RMB471,000,000	Development, operation and management of an expressway
廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV")	The PRC	US\$55,000,000	Development, operation and management of an expressway

GS Superhighway JV and Ring Road JV and both sino-foreign co-operative joint venture enterprises established under the PRC law.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

14. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The principal terms of the joint venture agreements entered into between the relevant subsidiaries and the corresponding joint venture partners under which the jointly controlled entities operate are as follows:

(i) GS Superhighway JV

GS Superhighway JV is established to undertake the construction, operation and management of an expressway in Guangdong Province of the PRC. Phase I of the project comprises of an expressway running between Shenzhen and Guangzhou ("GS Superhighway"). The term of co-operation is 30 years from the official opening date. At the end of the co-operation period, all the immovable assets and facilities of GS Superhighway JV will revert to the PRC joint venture partner without compensation.

The development of phases II and III of the project, comprising a major transportation route in western Pearl River Delta ("Western Delta Route"), is undertaken by a subsidiary of the Company, 廣東合和廣珠高速公路發展有限公司 Guangdong Hopewell Guangzhou-Zhuhai Superhighway Development Limited ("HHI West Co.") (note 15).

The Group's entitlement to the profit of the toll operations of GS Superhighway JV is 50% for the initial 10 years of co-operation period, 48% for the next ten years and 45% for the last ten years of the co-operation period. The Group is also entitled to a share of 80% of the rentals and other income, after deduction of operating and financial expenses, arising from the development of commercial centres and shop spaces along and underneath GS Superhighway for a period of 30 years commencing on the date of completion of GS Superhighway. GS Superhighway JV has also been granted the contingent rights to develop parcels of land within certain interchanges of GS Superhighway for sale or rental. The detailed terms of such grant have yet to be finalised. GS Superhighway was officially opened in July 1997.

(ii) Ring Road JV

Ring Road JV is established to undertake the construction, operation and management of an expressway running along the eastern, southern and western fringes of the Guangzhou urban areas ("ESW Ring Road"). The co-operation period is 30 years commencing from 1st January, 2002. The Group is entitled to 45% of the net cash flow (that is, gross operating income net of operating expenses, debt service costs and tax) of ESW Ring Road for the initial ten years of operation and thereafter the Group's profit entitlement will be reduced to 37.5% for the subsequent ten years and 32.5% for the remaining years of operation of the entire co-operation period of Ring Road JV. The ESW Ring Road was officially opened in January 2002. At the end of the co-operation period, all the immovable assets and facilities of Ring Road JV will revert to the PRC joint venture partner without compensation.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

14. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities accounted for by the Group using proportionate consolidation are set out below:

In respect of the year ended 30th June, 2002:

	GS		
	Superhighway JV	Ring Road JV	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	192,402	65,112	257,514
Non-current assets	5,375,603	1,896,333	7,271,936
Current liabilities	219,377	8,485	227,862
Non-current liabilities	4,246,797	1,383,143	5,629,940
Income	863,596	92,048	955,644
Expenses	319,254	70,744	389,998

In respect of the year ended 30th June, 2003:

	GS		
	Superhighway JV	Ring Road JV	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	182,676	68,375	251,051
Non-current assets	5,334,581	1,880,531	7,215,112
Current liabilities	325,739	10,614	336,353
Non-current liabilities	3,922,125	1,364,249	5,286,374
Income	961,491	105,780	1,067,271
Expenses	356,236	84,756	440,992

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

15. TOLL ROAD PROJECT UNDER DEVELOPMENT

The balance represents the costs incurred by the Group on the development of Western Delta Route.

The Western Delta Route will be developed in three phases. The estimated total development cost for phase 1 of the project ("Phase 1 West"), which will be developed through a jointly controlled entity to be established for this purpose, is approximately RMB1,680 million of which RMB294 million will be provided by the Group by way of capital contribution to the jointly controlled entity. Pursuant to the joint venture agreement entered into between the Group and the PRC joint venture partner, the co-operation period of Phase 1 West is 30 years commencing on the date of issue of the business licence for the joint venture. During the co-operation period, the Group is entitled to 50% of the net operating income of the jointly controlled entity arising from Phase 1 West. Detailed terms for development of Phases 2 and 3 of the Western Delta Route have yet to be agreed by the parties concerned.

16. LOANS TO JOINTLY CONTROLLED ENTITIES

	<i>THE GROUP</i>	
	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans to:		
GS Superhighway JV	563,880	387,676
Ring Road JV	645,328	626,740
	1,209,208	1,014,416

The balances represent the loans to jointly controlled entities made by the Group not eliminated on the adoption of proportionate consolidation for the jointly controlled entities.

The loans to jointly controlled entities are unsecured, repayable out of the net cash surplus from the operations of the jointly controlled entities and interest free except for the loans to GS Superhighway JV which carry interest at commercial lending rates.

17. INTEREST RECEIVABLE FROM A JOINT VENTURE PARTNER

The balance represents the Group's proportionate share of the interest receivable of Ring Road JV from an outside joint venture partner of Ring Road JV. The amount is unsecured, interest free and repayable on demand.

18. BANK BALANCES AND CASH

Included in the bank balances and cash are bank deposits of approximately HK\$301,276,000 (2002: HK\$97,800,000), which are held by the Group's PRC subsidiary and jointly controlled entities in United States dollar, Hong Kong dollar and Renminbi. The remittance of these bank deposits outside of the PRC is subject to approval of the relevant local authorities.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

19. OTHER FINANCIAL ASSETS

The directors consider that the carrying amount of accounts receivable, deposits and prepayments approximates their fair value.

Bank balances and cash comprise cash and short-term deposits held for the treasury function of the Group. The carrying amount of these assets approximates their fair value.

Credit risk

The Group's credit risk is primarily attributable to its accounts receivable, deposits and prepayments. The amounts presented in the balance sheet are net of allowances for doubtful receivables, as estimated by the Group's management based on prior experience and the current economic environment.

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

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

20. SHARE CAPITAL

	<i>Number of shares</i>	<i>Amount HK\$'000</i>
Details of the share capital of the Company are as follows:		
<i>Authorised:</i>		
On incorporation, par value of HK\$1 each	380,000	380
Change of par value from HK\$1 to HK\$0.1	3,420,000	–
Increase during the period	996,200,000	999,620
At 30th June, 2003	1,000,000,000	1,000,000
<i>Issued and fully paid:</i>		
Allotted and issued on incorporation, par value of HK\$1 each	1	–
Subdivision of shares of par value from HK\$1 to HK\$0.1	9	–
Allotted and issued on 30th June, 2003	3,120,240	312
At 30th June, 2003	3,120,250	312

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

20. SHARE CAPITAL *(continued)*

The following changes in the share capital of the Company took place during the period from 14th January, 2003 (date of incorporation) to 30th June, 2003:

- (a) The Company was incorporated on 14th January, 2003 with an authorised share capital of HK\$380,000 divided into 380,000 shares of HK\$1 each. At the time of incorporation, one ordinary share of HK\$1 was allotted and issued for cash at par.
- (b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 30th June, 2003:
 - (i) each share of a par value of HK\$1 in the unissued and issued share capital of the Company was subdivided into 10 shares of a par value of HK\$0.1 each; and
 - (ii) the authorised share capital of the Company was increased from HK\$380,000 to HK\$1,000,000,000, by the creation of an additional 9,996,200,000 new shares of HK\$0.1 each.
- (c) On 30th June, 2003:
 - (i) the Company allotted and issued 3,120,100 ordinary shares, credited as fully paid in consideration of the transfer of the entire issued share capital of Most Top Limited, Yager International Limited and Wilberforce International Limited.
 - (ii) the Company allotted and issued 140 ordinary shares, credited as fully paid at the direction of Guangzhou-Shenzhen Superhighway (Holdings) Ltd. ("GSSH"), a fellow subsidiary of the Company, in consideration of GSSH (i) procuring the allotment and issue of two new ordinary shares in Hopewell China Development (Superhighway) Limited ("HHI GS Superhighway Co"), a subsidiary of the Company, to Kingnice Limited ("Kingnice") and its nominee and the conversion of the ordinary shares in HHI GS Superhighway Co beneficially held by it into deferred non-voting shares, and (ii) transferring its one share in Fan Wai Properties Limited to Kingnice.

The share capital of 30th June, 2002 as shown in the consolidated balance sheet represents the share capital of the subsidiaries, acquired by the Company pursuant to the Corporate Reorganisation.

Changes in the Company's share capital subsequent to 30th June, 2003 are set out in note 31.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

21. RESERVES

THE GROUP

Included in the Group's reserves are the Group's share of post-acquisition reserves of the jointly controlled entities as follows:

	2002 HK\$'000	2003 HK\$'000
PRC statutory reserves	22,884	56,464
Translation reserve	2,883	3,754
Retained profits	589,931	754,754
	615,698	814,972

Pursuant to the relevant PRC regulations applicable to the Group's PRC jointly controlled entities, the jointly controlled entities have to provide for the PRC statutory reserves before declaring dividends to their joint venture partners on the basis determined and approved by the board of directors. The reserves, which include general fund and development fund, are not distributable until the end of the co-operation period, at which time any remaining balance of the reserves can be distributed to joint venture partners upon liquidation of the jointly controlled entities. The distributable profits of the jointly controlled entities are determined based on their retained profits calculated in accordance with the PRC accounting rules and regulations.

THE COMPANY

The Company had no distributable reserves at 30th June, 2003.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

22. BANK AND OTHER LOANS

	2002 HK\$'000	2003 HK\$'000
THE GROUP		
Bank loans		
Secured	5,042,113	4,993,040
Unsecured	240,294	–
Other loans, unsecured	142,983	95,833
	5,425,390	5,088,873
The borrowings are repayable as follows:		
On demand or within one year	253,857	426,406
In the second year	671,137	568,022
In the third to fifth years inclusive	1,534,644	1,666,227
After five years	2,965,752	2,428,218
	5,425,390	5,088,873
Less: Amounts due for settlement within twelve months (shown under current liabilities)	(253,857)	(426,406)
Amounts due for settlement after twelve months	5,171,533	4,662,467

Analysis of borrowings by currency:

	<i>At 30th June, 2002</i>		
	<i>US\$ HK\$'000</i>	<i>RMB HK\$'000</i>	<i>HK\$ HK\$'000</i>
Bank loans	3,947,317	868,090	467,000
Other loans	–	142,983	–
	3,947,317	1,011,073	467,000
	<i>At 30th June, 2003</i>		
	<i>US\$ HK\$'000</i>	<i>RMB HK\$'000</i>	<i>HK\$ HK\$'000</i>
Bank loans	3,753,034	868,006	372,000
Other loans	–	95,833	–
	3,753,034	963,839	372,000

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

22. BANK AND OTHER LOANS (continued)

Other than the other loan amounts of approximately HK\$16,406,000 (2002: HK\$16,412,000), which are interest-free, the bank and other loans carry interest at commercial lending rates.

The average rates of interest for bank loans and other loans for the year were 2.7% (2002: 3.6%) and 4.8% (2002: 5.1%) respectively.

The directors consider that the carrying amount of the interest-bearing loans approximates their fair value. In view of the terms of the interest-free loans, the directors consider that it is not practicable to determine their fair value.

23. OTHER INTERESTS PAYABLE

Other interests payable are non interest-bearing except for the following balances which carry interest on the amounts outstanding at commercial lending rates:

	2002 HK\$'000	2003 HK\$'000
Other interests payable	25,531	28,565
Less: Amounts due for settlement within twelve months (shown under current liabilities)	(12,766)	(28,565)
Amounts due for settlement after twelve months	12,765	–

The directors consider that the carrying amount of the interest-bearing balance approximates their fair value. In view of the terms of the interest-free balance, the directors consider that it is not practicable to determine their fair value.

24. LOANS FROM JOINT VENTURE PARTNERS

	2002 HK\$'000	2003 HK\$'000
Amount due to joint venture partners of:		
GS Superhighway JV (interest-bearing)	7,960	8,254
Ring Road JV (interest-free)	738,047	711,248
	746,007	719,502

The balances represent the Group's proportionate share of the loans made to jointly controlled entities by the outside joint venture partners ("other joint venture partner(s)"). Such loans are unsecured and are repayable out of the net cash surplus from the operations of the jointly controlled entities.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

24. LOANS FROM JOINT VENTURE PARTNERS *(continued)*

The loan from the other joint venture partner of GS Superhighway JV was charged at commercial lending rates.

In view of the terms of the interest-free loans from the other joint venture partners of Ring Road JV, the directors consider that it is not practicable to determine their fair value.

25. AMOUNTS DUE TO HOLDING COMPANIES

The amounts are unsecured, interest free and not repayable within one year from the balance sheet date. In view of the terms of the balances, the directors consider that it is not practicable to determine their fair value.

Subsequent to 30th June, 2003, the amounts due to holding companies to the extent of HK\$4,500 million were capitalised, details of which are mentioned in note 31(a).

26. DEFERRED TAX LIABILITIES

The deferred tax liabilities as shown in the consolidated balance sheets represent the Group's proportionate share of such liabilities of the jointly controlled entities. The major components of the deferred tax liabilities (assets) are as follows:

	<i>2002</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Excess of tax allowances over depreciation	106,600	134,605
Unutilised tax losses	(14,700)	(18,200)
	91,900	116,405

The movement for the year in the deferred tax liabilities (assets) are as follows:

	<i>Accelerated tax depreciation</i> <i>HK\$'000</i>	<i>Tax losses</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
At 1st July, 2001	77,100	(4,100)	73,000
Charge (credit) for the year (note 7)	29,500	(10,600)	18,900
At 30th June, 2002	106,600	(14,700)	91,900
Charge (credit) for the year (note 7)	28,005	(3,500)	24,505
At 30th June, 2003	134,605	(18,200)	116,405

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

27. INTEREST PAYABLE TO A JOINTLY CONTROLLED ENTITY

The balance represents interest payable due to Ring Road JV by the Group not eliminated on the adoption of proportionate consolidation for the jointly controlled entities. The amount is unsecured, interest free and has no fixed repayment term. In view of the terms of the amount, the directors consider that it is not practicable to determine its fair value.

28. OTHER FINANCIAL LIABILITIES

Accounts payable and deposits received principally comprise amounts outstanding for ongoing costs. The directors consider that the carrying amounts of accounts payable and deposits received approximate their fair value.

29. CAPITAL COMMITMENTS

As referred to in note 15, the Phase 1 West will be developed by a jointly controlled entity to be established. The estimated total development expenditure for Phase 1 West amounted to approximately RMB1,680 million, of which RMB294 million will be provided by the Group.

At the balance sheet date, development expenditure in respect of the construction of Phase I West which had been contracted for amounted to approximately HK\$361 million (2002: HK\$566 million).

At the balance sheet date, GS Superhighway JV had outstanding commitment in respect of repavement of asphalt for GS Superhighway contracted but not provided for amounting to approximately HK\$70 million (2002: nil).

30. RELATED PARTY TRANSACTIONS

Apart from the amounts owed by and from the related parties as disclosed in notes 16, 17, 24, 25 and 27, a jointly controlled entity of the Group had paid interest to the ultimate holding company of the Group amounting to approximately HK\$8,049,000 for the year ended 30th June, 2002. The interest was charged on the principal amount of outstanding at a fixed rate of 10.1244% per annum.

In addition, guarantees had been given by the ultimate holding company for certain bank loan facilities granted to the Group and a jointly controlled entity during the two years ended 30th June, 2003 free of any charge. The directors of the Company have confirmed that these guarantees will be replaced by guarantees issued by the Company after the Listing.

The Group also had paid rentals, air-conditioning and electricity charges and government rates to a fellow subsidiary amounting to approximately HK\$525,000 (2002: HK\$554,000).

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

30. RELATED PARTY TRANSACTIONS *(continued)*

The Group's jointly controlled entities had the following significant transactions with their joint venture partners other than the Group during the year:

<i>Relationship</i>	<i>Nature of transaction</i>	<i>2002 HK\$'000</i>	<i>2003 HK\$'000</i>
Other joint venture partner of GS Superhighway JV	Interest paid (note a)	1,339	595
	Reimbursement of operating expenses (note b)	5,440	5,795
	Consultancy fee paid (note b)	–	1,884
	Dividend paid and payable	–	423,900
Other PRC joint venture partner of Ring Road JV	Management fee paid (note b)	3,999	3,999
Other foreign joint venture partner of Ring Road JV	Management fee paid (note b)	2,000	2,000
	Interest income (note a)	33,021	39,460

Guarantees had been given by the other joint venture partner of GS Superhighway JV for bank loan facilities of RMB510 million granted to GS Superhighway JV at a fee of approximately HK\$283,000 for the year ended 30th June, 2003 (2002: HK\$565,000). In May 2003, a new bank loan was raised by GS Superhighway JV to finance the repayment of the bank loans of RMB510 million and the said guarantees given by the other joint venture partner were released afterward.

Notes:

- The interest was charged on the principal amount of loans outstanding at commercial lending rates.
- In the opinion of directors, these transactions were carried out based on the terms agreed by the parties concerned and in the ordinary course of business.

31. SUBSEQUENT EVENTS

The following significant events took place subsequent to the balance sheet date:

- On 23rd July, 2003, the Company allotted and issued 2,156,879,750 shares of HK\$0.1 each, credited as fully paid on capitalisation of an amount of HK\$4,500 million owing by the Company to its holding company.
- On 5th August, 2003, 720,000,000 new shares of the Company of HK\$0.1 each were issued, at a price of HK\$4.18 per share, giving a total cash considerations of approximately HK\$3,009.6 million before expenses.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

32. SUBSIDIARIES

Particulars of the Company's subsidiaries at 30th June, 2003 were as follows:

<i>Name of company</i>	<i>Place of incorporation/ establishment</i>	<i>Issued and fully paid share/ registered capital</i>	<i>Attributable equity interest held</i>	<i>Principal activity</i>
Jetgold Limited	British Virgin Islands	Ordinary share US\$1	100%	Investment holding
Kingnice Limited	British Virgin Islands	Ordinary share US\$20,000	97.5%	Investment holding
Fan Wai Properties Limited	British Virgin Islands	Ordinary share US\$1	97.5%	Investment funding
Most Top Limited	British Virgin Islands	Ordinary share US\$1	100%	Investment holding
廣東合和廣珠高速公路發展有限公司 Guangdong Hopewell Guangzhou-Zhuhai Superhighway Development Limited (Note)	The PRC	Registered capital RMB600,000,000	100%	Investment in expressway project
Hopewell China Development (Superhighway) Limited	Hong Kong	Ordinary shares HK\$2 Non-voting deferred shares HK\$4	97.5% of issued ordinary share capital	Investment in expressway project
Hopewell Guangzhou Ring Road Limited	British Virgin Islands	Ordinary share US\$1	100%	Investment in expressway project
Hopewell Guangzhou-Zhuhai Superhighway Development Limited	Hong Kong	Ordinary shares HK\$2 Non-voting deferred shares HK\$2	100% of issued ordinary share capital	Investment in expressway project
Wilberforce International Limited	British Virgin Islands	Ordinary shares US\$20,000	100%	Investment holding
Yager International Limited	British Virgin Islands	Ordinary shares US\$20,000	100%	Investment holding

All the above subsidiaries are indirectly held by the Company except for Jetgold Limited, Yager International Limited and Wilberforce International Limited which are directly held by the Company.

Note: The subsidiary is a wholly foreign owned enterprise established in the PRC.



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