IMPORTANT

If you are in doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

Hopewell Highway Infrastructure Limited

合和公路基建有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Offering	**: 720,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Number of International Offer Shares	**: 648,000,000 Shares (subject to adjustment)**
Number of Public Offer Shares	**: 72,000,000 Shares (subject to adjustment)**
Offer Price	**: not more than HK$4.75 per Share (payable in full on application and subject to refund)**
Nominal Value	**: HK$0.10 each**
Stock Code	**: 737**

Global Co-ordinator, Bookrunner and Sponsor

citigroup

Joint Lead Managers

citigroup

BOCI Asia Limited

Co-Lead Managers

BNP Paribas Peregrine
JPMorgan
Daiwa Securities SMBC Hong Kong
Morgan Stanley

Co-Managers

CLSA Asia-Pacific Markets
ING Bank N.V.
UOB Asia (Hong Kong) Limited
ICEA Capital Limited
Kim Eng Securities (Hong Kong) Ltd
South China Securities Limited
Sun Hung Kai International Limited
VC CEF Capital Limited

A copy of this prospectus, having attached thereto the documents specified in Appendix X under the heading "Documents delivered to the Registrar of Companies", has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. The Registrar of Companies and the Securities and Futures Commission in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Warrants are not being extended to Hopewell Shareholders whose registered addresses on the Record Date are outside Hong Kong. The receipt, resale, transfer and exercise of the Warrants, and the sale and transfer of Shares issued on exercise of the Warrants, within the United States or by U.S. persons (as such term is defined in Regulation S) are subject to and permitted only in accordance with certain restrictions.

The Offer Price is expected to be fixed by agreement between Citigroup, on behalf of the Underwriters, and the Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about 31 July, 2003 and, in any event, no later than 3 August, 2003.

The Offer Price will be not more than HK$4.75 per Offer Share and is expected to be not less than HK$4.10 per Offer Share. Citigroup on behalf of the Underwriters may, where considered appropriate, with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications in the Public Offer. In such a case, a notice of the reduction in the indicative Offer Price range will be published in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times as soon as possible and in any event not later than the morning of the last day for lodging applications in the Public Offer. **If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced such applications cannot be subsequently withdrawn.** Investors applying for Public Offer Shares must pay the maximum price of HK$4.75 per Public Offer Share, together with brokerage of 1%, the Stock Exchange trading fee of 0.005%, the Securities and Futures Commission transaction levy of 0.005% and an investor compensation levy of 0.002%, subject to refund if the final Offer Price determined as described above should be lower than the maximum Offer Price.

If Citigroup (on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price, the Offering will not become unconditional and will lapse.

* *For identification only*

28 July, 2003

EXPECTED TIMETABLE[1]

Application lists open[2]	11:45 a.m. on Thursday, 31 July, 2003
Latest time for:	
• lodging **WHITE** and **YELLOW** application forms	12:00 noon on Thursday, 31 July, 2003
• giving electronic application instructions to HKSCC	12:00 noon on Thursday, 31 July, 2003
Application lists close	12:00 noon on Thursday, 31 July, 2003
Price Determination Date[3]	on or about Thursday, 31 July, 2003
Announcement of the Offer Price, the level of indication of interest in the International Offer, the results of applications and basis of allotment of the Public Offer Shares to be published (with successful applicants' identification document numbers) in the South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, 5 August, 2003
Refund cheques to be posted on or before[4]	Tuesday, 5 August, 2003
Share certificates and Warrant certificates to be posted on or before[4]	Tuesday, 5 August, 2003
Dealings in Shares and the Warrants on the Stock Exchange to commence on	Wednesday, 6 August, 2003

Notes:

1. All times refer to Hong Kong local time, except as otherwise indicated.
2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. to 12:00 noon on Thursday, 31 July, 2003, the application lists will not open on that day. See "How to apply for Public Offer Shares — Effect of bad weather on the opening of the application lists".
3. The Price Determination Date is expected to be on or about Thursday, 31 July, 2003, and in any event no later than Sunday, 3 August, 2003. If Citigroup (on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price, the Offering will not become unconditional and will lapse.
4. If you are applying for 1,000,000 Public Offer Shares or above using a **WHITE** or **YELLOW** application form and have indicated in your application form that you will collect your share certificates and/or refund cheques (as applicable) personally from the Company's share registrar, you may collect share certificates and refund cheques (as applicable) in person from the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. and 1:00 p.m. on Tuesday, 5 August, 2003 or on the date notified by the Company in the newspapers as the date of despatch of share certificates and refund cheques. You must show your identification documents to collect your share certificates and/or refund cheques. Applicants being corporations which have opted for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chops. Their authorised representatives must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your share certificates and/or refund cheques, they will be sent to the address on your application form by ordinary post and at your own risk. If you have not indicated on your application form that you will collect your share certificates and/or refund cheques, then they will be sent to the address on your application form on the date of despatch, by ordinary post and at your own risk. Further information is set out under "How to apply for Public Offer Shares" and "Further terms and conditions of the Public Offer".
5. Details of the structure of the Offering, including the conditions of the Public Offer are set out under "Structure of the Offering".

CONTENTS

Prospective investors should rely only on the information contained in this prospectus and the application forms to make their investment decisions.

The Company has not authorised any person to provide prospective investors with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by prospective investors as having been authorised by the Company, the Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Offering.

CONTENTS

This summary aims to give an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to prospective investors and prospective investors should read this prospectus in its entirety before deciding whether to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors". Prospective investors should read that section carefully before deciding to invest in the Offer Shares.

Various expressions used in this section are defined or explained in the following "Definitions" and "Glossary" sections.

BUSINESS

Introduction

The Group's primary business is to initiate, promote, develop and operate strategically important roads, tunnels, bridges and related infrastructure projects in Guangdong Province in the southern PRC, and in particular the Pearl River Delta ("PRD") region bordering Hong Kong. All the Group's existing projects are strategic components or links in the PRD's developing highway network in which the GS Superhighway forms a major artery between Guangzhou and Shenzhen, reaching Hong Kong at the Shenzhen border.

The Group currently has interests in three principal toll-expressway Projects:

- The Guangzhou-Shenzhen Superhighway
- The Guangzhou E-S-W Ring Road
- Phase 1 of the Western Delta Route

All of the Group's existing Project interests are (or will be, in the case of Phase 1 West) held through Sino-foreign co-operative joint ventures established according to applicable PRC laws, and all involving PRC partners established by, or closely associated with, the governmental or administrative bodies that are responsible for transport infrastructure within the relevant regions and localities.

Growth in Guangdong Province and the PRD

Hopewell is one of the leaders in the PRC infrastructure industry and one of the first foreign companies to have invested in infrastructure projects in the PRC. The Group's involvement in the development of the PRD's highway network stemmed from Hopewell's vision of the potential which could be unlocked from Guangdong and in particular the PRD following the PRC's economic reforms of the late 1970s. Consistent with Hopewell's original expectations, economic and industrial growth in Guangdong Province, particularly the PRD, has proved to be one of the prime catalysts for the development of the highway network.

Guangdong Province is one of the wealthiest and fastest growing provinces in the PRC. GDP of Guangdong Province has shown compound annual growth of approximately 19% over the period between 1991 and 2001, outperforming the PRC average. According to the Guangdong Statistical Yearbook 2002, foreign direct investment in Guangdong Province in 2001 totalled US$11.9 billion, representing approximately 25% of total foreign direct investment in the PRC. Guangdong's share of total national exports was approximately 36% or US$95.4 billion. According to a Working Report for Guangdong Province published by the former Governor of Guangdong Province, Mr. Lu Rui Hua, on 13 January, 2003, Guangdong Province is estimated to have experienced significant growth in economic activity in 2002: GDP for 2002 is estimated at RMB1,167.4 billion (approximately US$141 billion) (approximately 10% growth against 2001) and total exports are estimated at US$118.6 billion (approximately 24% growth against 2001).

The PRD lies at the mouth of the Pearl River Estuary in the southern part of Guangdong Province. Following the PRC's adoption of open door economic reform policies in the late 1970s, the PRD has rapidly been transformed from an agricultural region to become one of the world's most important centres of industrial output and is continuing to grow. While the PRD has only around 30% of the population of Guangdong Province, in 2001 it accounted for approximately 78% of Guangdong Province's total GDP, approximately 98% of its foreign direct investment and approximately 95% of its exports.

The PRD has benefited particularly from its proximity to Hong Kong and the existence of special economic zones and open coastal cities which were established to boost the new economic reforms. This environment has enabled the PRD to attract substantial foreign investment and has led to a process of progressive economic integration between the PRD and Hong Kong. The Company expects this process of economic integration to be further enhanced by the Closer Economic Partnership Arrangement ("CEPA") signed on 29 June, 2003. CEPA sets out a number of economic measures with respect to trade in goods and services and investment facilitation, including tariff reductions and liberalisation of professional and investment services. The Company sees such measures as a significant positive development in the economic relationship between the PRC and Hong Kong.

Guangdong's highway system has grown hand-in-hand with the economic development of Guangdong for the past two decades. The province's GDP grew more than 40 times from 1980 to 2001. At the same time, the highway system expanded rapidly to support this growth. Highway length was merely 49,495 km in 1980 and was 104,798 km at the end of 2001. Appreciating the role that a developed highway network plays in economic development from its own experience, the Guangdong government made highway improvement its prime priority in its Tenth Five-year Plan (2001 - 2005), with the vision of linking all major cities in the province as well as connecting to other provinces.

Since its first full year of operations in 1995, the GS Superhighway has seen compound annual growth in average daily tolled traffic flow of approximately 16%. In 2002, the GS Superhighway JV was ranked by the Ministry of Foreign Trade and Economic Cooperation among the top 500 foreign companies in the PRC in terms of revenue.

History and Development of Projects

HHI normally aims to take the lead role in the initiation and promotion of its Projects. The GS Superhighway Project was established in the mid-1980s as Hopewell was pushing forward with its vision of an integrated PRD highway network following the PRC's economic reforms of the late 1970s. The Project resulted from initiatives of Hopewell outlined in a proposal letter submitted to the Guangdong Provincial Government in December 1978.

HHI took the lead role throughout the process of initiation and promotion of the GS Superhighway Project, including negotiation of the concession rights established by the JV Contract, and the construction contracts, and in arranging financing for the Project. The Guangzhou E-S-W Ring Road Project originated from the same proposal letter in 1978. HHI again took the lead role throughout the process of initiation and promotion of the Project.

The Three Existing Projects

Through Sino-foreign co-operative joint venture arrangements established according to applicable PRC laws, the Group holds interests in the following three toll-expressway projects:

- **The GS Superhighway**: the GS Superhighway is a 122.8 km closed system dual three lane expressway running from Guangdan in Guangzhou to the Hong Kong-Shenzhen border crossing at Huanggang in Shenzhen.

As the first and currently the only expressway directly connecting Guangzhou, the capital of Guangdong Province, with Shenzhen and Hong Kong, the GS Superhighway is a major artery in the developing PRD highway network, forming a north-south corridor in the eastern PRD running through Dongguan and reaching Hong Kong at the Shenzhen border.

Many populous and/or industrial towns, and important facilities including the Shenzhen Baoan Airport and various sea ports, are connected to the GS Superhighway's 18 strategically placed interchanges, and the expressway is well connected to the other major highways in the PRD. In particular, as the only expressway connection between Shenzhen and the Humen Bridge, the GS Superhighway is the most important route for traffic between Shenzhen and locations in the western and south-eastern parts of the PRD.

- **The Guangzhou E-S-W Ring Road**: the Guangzhou E-S-W Ring Road is a 38 km closed system dual three lane expressway by-pass route running along the eastern, southern and western fringes of Guangzhou city. Its eastern and western ends connect to Guangzhou's northern by-pass creating an inter-connected expressway ring road route surrounding Guangzhou city.

  The Guangzhou E-S-W Ring Road is a strategic component of the road system serving the increasingly heavy traffic flow in and around Guangzhou city. The route is an important by-pass for the high volume of external traffic which passes Guangzhou en route to other destinations via the many major highways which serve Guangzhou. It also provides an important route for Guangzhou traffic as an alternative to medium to long trips through central parts of the city.

  The GS Superhighway connects to the Guangzhou E-S-W Ring Road, as will Phase 1 of the Western Delta Route.

- **Phase 1 West**: Phase 1 of the Western Delta Route, currently under construction, will be a 14.7 km closed system dual three lane expressway fulfilling the strategic need for a high speed link between Guangzhou city and Shunde. It is expected to reduce the journey time between the two cities to approximately 10 to 15 minutes from a journey of approximately 40 minutes on existing roads.

Table of Key Statistics

	GS Superhighway	Guangzhou E-S-W Ring Road	Phase 1 West
Route	Guangdan in Guangzhou to Huanggang border crossing in Shenzhen	Connecting Guangdan, Luntou, Chigang and Shabei in Guangzhou	Hainan interchange of Guangzhou E-S-W Ring Road to northern end of Bigui Road in Shunde
Classification	Expressway	Expressway	Expressway
Total length (km)	122.8 km	38 km	14.7 km
Number of lanes	Dual 3 lanes	Dual 3 lanes	Dual 3 lanes
Joint venture partner(s)	Guangdong Provincial Highway Construction Company	(1) Guangzhou City Tongda Highway Company (2) CKI	Guangdong Provincial Highway Construction Company
Total number of directors of the joint venture company	10	15	8
Group's entitlement to appoint directors	5	5	4

	GS Superhighway	Guangzhou E-S-W Ring Road	Phase 1 West
Approval mechanism of the board for significant matters	Unanimous approval of all the board members present at a board meeting is required for various matters, including appointment and removal of the general manager, the detailed direction of the routes, plans for the road sections, technical standards and construction period of each construction phase of the highway, changes in the total investment and the registered capital, insurance, financing, distribution of profits and changes in articles of association All other matters are required to be passed by a simple majority of the directors attending the meeting A meeting of the board shall be attended by at least 60% of the directors	Unanimous approval of all the board members present at a board meeting is required for various matters, including the detailed direction of route, size of construction and technical standards, level of tolls, financing, distribution of profit, amendments to the articles of association, changes in the registered capital and creating encumbrances over any of the assets All other matters are required to be passed by a two-thirds majority of the directors attending the meeting, including at least 2 directors from each of the joint venture partners A meeting of the board shall be attended by at least two-thirds of the directors	Unanimous approval of all the board members present at a board meeting is required for various matters, including the approval of the annual budget and accounts, the approval of major contracts, changes in the total investment and the registered capital, distribution of profits and changes to the articles of association All other matters are required to be passed by a two-thirds majority of the directors attending the meeting A meeting of the board shall be attended by at least two-thirds of the directors
Concession period	30 years from 1 July, 1997	30 years from 1 January, 2002	30 years from date of establishment (expected in 2003)
Arrangement upon end of concession period	All fixed assets will be transferred to The Guangdong Provincial Highway Construction Company without consideration The parties will participate in any residual surplus assets according to their respective profit sharing ratios at that time	All fixed assets will be transferred to Guangzhou City Tongda Highway Company without consideration Any current assets will be distributed to Guangzhou City Tongda Highway Company, the Group and CKI in the proportion of 30%, 35% and 35% respectively	All fixed assets will be transferred to the responsible governmental authority without consideration The parties will be entitled to any residual surplus assets in equal proportions
Opening date	July 1994 (trial) 1 July, 1997 (official)	June 2000	Scheduled for mid-2004
Status	Fully operational, collecting tolls	Fully operational, collecting tolls	Under construction since December 2001
Group's %	Profit share: First 10 years: 50% Next 10 years: 48% Final 10 years: 45%	Net cash flow: First 10 years: 45.0% Next 10 years: 37.5% Final 10 years: 32.5%	Net operating income: 50%

Notes:

(1) The joint venture partners' proportionate entitlements to profit share, net cash flow and net operating income, respectively, relate to the applicable concession period and accord with the terms of the respective JV Contracts which reflect (among other things) the basis on which the Projects were originally financed. See section on financing of the respective Projects under "The Road Projects".

(2) Information with respect to Phase 1 West is based on the terms of the proposed JV Contract which have been agreed between the parties but remain subject to approval by applicable PRC regulatory authorities.

The Group's Co-operative Joint Ventures

The Group's co-operative joint ventures are jointly controlled by the respective joint venture partners and no one partner has absolute control. Although the JV Contracts do not expressly confer on the Group any power of veto over the affairs of the JV Enterprises, the Group's joint venture arrangements typically require consensus among HHI and its joint venture partners in relation to major decisions such as changes in total investment or registered capital, financing arrangements, appointment of senior management, distribution of profits, changes to articles of association and insurance. HHI's overall experience in relation to its joint ventures has indicated that its joint venture contracts provide effective safeguards on significant decisions and changes and that, in practice, significant decisions are taken based on consensus among the joint venture partners.

Historic Traffic Flows and Toll Receipts

The following table illustrates historic growth in average daily tolled traffic flow and total annual toll receipts for the Group's two operating Projects since their respective first full year of operations.

			Year on year growth(2)		Year on year growth(2)		Year on year growth(2)		Year on year growth(4)	
	1995(1)	2000		2001		2002		2003(4)		CAGR(3)
The GS Superhighway										
Average daily tolled traffic flow (no. of vehicles)	48,678	103,388	19.2%	114,930	11.2%	136,612	18.9%	162,998	30.3%	15.9%
Toll receipts (RMB million)	648	1,733	19.1%	1,825	5.4%	1,974	8.1%	1,073	14.4%	17.2%
	1998(1)	2000(5)		2001		2002		2003(4)		CAGR(3)
The Guangzhou E-S-W Ring Road										
Average daily tolled traffic flow (no. of vehicles)	7,589	32,242	38.0%	31,212	(3.2%)(6)	36,120	15.7%	38,796	17.1%	47.7%
Toll receipts (RMB million)	18	151	74.8%	168	10.7%	199	18.5%	107	18.6%	81.3%

Notes:

(1) 1995 represents the first full year of operations for the GS Superhighway. 1998 represents the first full year of operations for the Guangzhou E-S-W Ring Road JV, although sections of the ring road only became open to traffic throughout the period from 1997 to June 2000 and the ring road was not completed until 26 June, 2000.

(2) Year-on-year growth represents percentage change compared to the previous calendar year.

(3) Compound annual growth rates ("CAGR") for each Project are calculated from and including the first full year of operations up to and including 2002.

(4) Statistics for 2003 cover the first six months of the year and have been compared with the corresponding period in 2002. As the above information is presented on a calendar year basis, the first six months of 2003 cover the second six months of the financial year ended 30 June, 2003.

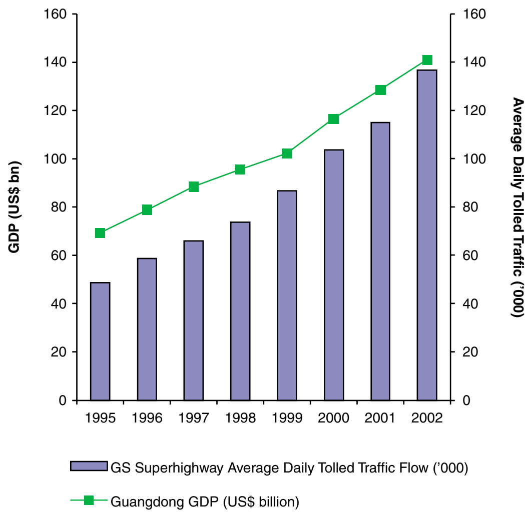
(5) The entire length of Guangzhou E-S-W Ring Road was opened on 26 June, 2000.

(6) The decline in 2001 can be attributed to the timing and temporary distortive effect of changes in Guangzhou's traffic policy to reduce urban congestion in central Guangzhou. Implementation of these measures led to a period between January and December, 2001 during which non-Guangzhou registered vehicles were able to access Guangzhou toll-free (see "The Road Projects — Guangzhou E-S-W Ring Road — Operations — Trends").

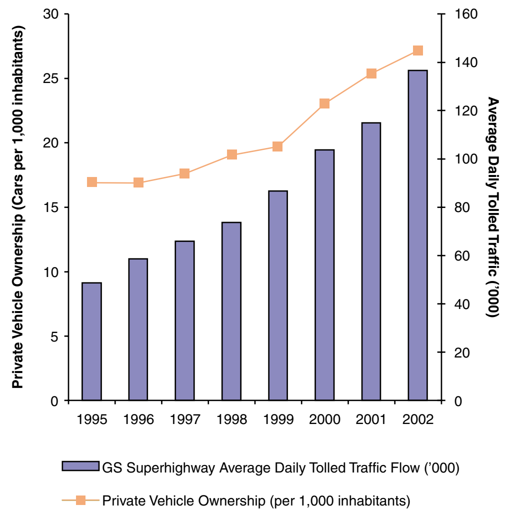
Toll rates for closed system expressways in Guangdong Province are approved by the Guangdong Provincial Government following joint review by the Guangdong Provincial Bureau of Communications and the Guangdong Provincial Price Bureau and take the form of a rate per km travelled based on vehicle classification and a stepped scale in multiples of the base charge for the smallest category of vehicles. Toll receipts for the GS Superhighway and the Guangzhou E-S-W Ring Road are therefore principally dependent on traffic volume by vehicle categories, applicable toll rates and distances travelled.

Growth Profile

GS Superhighway Traffic vs. Guangdong GDP



GS Superhighway Traffic vs. Guangdong Private Vehicle Ownership



Notes:

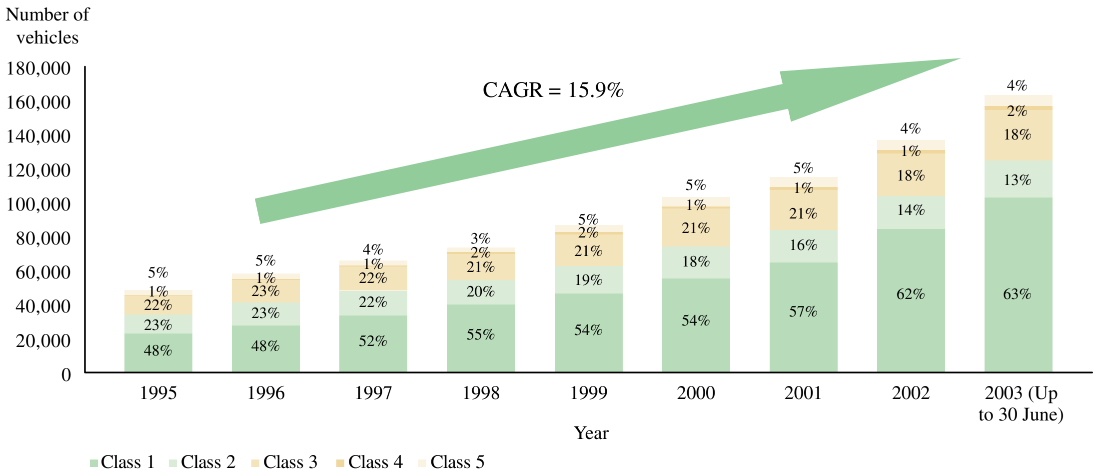
(1) GDP refers to gross domestic product of Guangdong Province according to the Guangdong Statistical Yearbook.

(2) Private vehicle ownership represents the number of civilian vehicles privately owned per 1,000 inhabitants according to the China Statistical Yearbook, 1996, 2001 and 2002.

(3) Private vehicle ownership for 2002 is extrapolated based on compound annual growth from 1995 to 2001.

(4) Traffic flow refers to average daily tolled traffic flow on the GS Superhighway and traffic mix is the composition of that same traffic.

GS Superhighway
Average Daily Tolled Traffic Flow



Notes:

(1) The various vehicle categories for GS Superhighway are as follows: Class 1 (cars, jeeps, passenger/cargo vans in the form of taxis, motorcycles), Class 2 (vans, small passenger/cargo vans and light trucks), Class 3 (medium sized vans, large cars and medium sized trucks), Class 4 (large luxurious cars, large trucks, heavy trailers, 20 ft. container trucks), Class 5 (double deck cars, heavy trucks, heavy trailers, 40 ft. container trucks).

(2) Compound annual growth rate ("CAGR") for GS Superhighway is calculated from and including the first complete year of operation in 1995 up to and including 2002.

The following tables provide a more detailed monthly comparison of average daily toll receipts and average daily tolled traffic flow for the most recent two financial years ended 30 June, 2002 and 30 June, 2003.

GS Superhighway

Growth in monthly average daily toll receipts and monthly average daily tolled traffic flow

	Average Daily Toll Receipts (RMB '000)			Average Daily Tolled Traffic Flow		
Month	**2001**	**2002**	**% Growth**	**2001**	**2002**	**% Growth**
July	5,032.9	5,373.0	6.8%	115,049	136,480	18.6%
August	5,373.1	5,686.0	5.8%	122,738	145,968	18.9%
September	5,492.2	5,725.7	4.3%	126,596	148,773	17.5%
October	5,180.7	5,622.8	8.5%	121,009	148,572	22.8%
November	5,070.3	5,598.7	10.4%	121,842	150,646	23.6%
December	4,971.2	5,773.9	16.1%	120,694	157,156	30.2%
	2002	**2003**	**% Growth**	**2002**	**2003**	**% Growth**
January	4,961.3	6,301.6	27.0%	121,742	167,521	37.6%
February	5,022.1	5,703.9	13.6%	114,304	148,573	30.0%
March	5,377.5	6,222.6	15.7%	129,193	172,856	33.8%
April	5,472.4	6,036.7	10.3%	133,611	166,015	24.3%
May	5,168.3	5,367.1	3.8%	125,746	150,454	19.6%
June	5,081.7	5,933.7	16.8%	125,377	171,544	36.8%

Guangzhou ESW Ring Road

Growth in monthly average daily toll receipts and monthly average daily tolled traffic flow

	Average Daily Toll Receipts (RMB '000)			Average Daily Tolled Traffic Flow		
Month	**2001**	**2002**	**% Growth**	**2001**	**2002**	**% Growth**
July	447.4	543.4	21.5%	30,502	35,962	17.9%
August	475.7	579.2	21.8%	32,095	38,342	19.5%
September	503.8	617.4	22.5%	34,083	40,682	19.4%
October	457.7	591.2	29.2%	31,943	39,209	22.7%
November	491.2	601.6	22.5%	33,469	40,071	19.7%
December	473.9	598.4	26.3%	32,329	40,183	24.3%
	2002	**2003**	**% Growth**	**2002**	**2003**	**% Growth**
January	485.3	590.7	21.7%	32,636	39,499	21.0%
February	375.5	466.7	24.3%	26,229	32,444	23.7%
March	527.5	624.0	18.3%	34,383	40,591	18.1%
April	550.2	637.0	15.8%	36,574	41,158	12.5%
May	527.9	606.6	14.9%	34,542	38,082	10.2%
June	517.7	616.1	19.0%	33,886	40,522	19.6%

KEY STRENGTHS

The Directors believe that, with over two decades' experience in the PRC toll road infrastructure industry, the Group has developed the following strengths and competitive advantages:

— **The Group has successfully established a portfolio of operational and revenue generating toll expressway projects**

- The GS Superhighway and the Guangzhou E-S-W Ring Road have been completed and generate daily cash receipts.
- Revenues from these projects provide a sound financial base and the basis for the Group to enjoy a reliable cash return.
- The GS Superhighway has seen compound annual growth in average daily tolled traffic flow of 15.9% since its first full year of operations in 1995.

— **The Group's roads are strategically located in high economic growth areas within the PRD**

The GS Superhighway

- The GS Superhighway is the first and currently the only expressway directly connecting Guangzhou in the north with Shenzhen and Hong Kong in the south, forming a corridor of economic activity.
- It forms a major artery in the developing PRD highway network, connecting the key municipalities of Guangzhou, Dongguan and Shenzhen. These municipalities have become the leading centres within the PRD during its recent period of substantial economic growth.
- Many other towns and facilities along the route have grown up or expanded significantly with the development of the expressway. This has reinforced the importance of the expressway.

The Guangzhou E-S-W Ring Road

- The Guangzhou E-S-W Ring Road is a strategic component of the road system serving the increasingly heavy traffic flow in and around Guangzhou. Guangzhou is continuing to expand and develop as the commercial centre of Guangdong Province.
- The strength of the Guangzhou E-S-W Ring Road is significantly dependent on its connectivity, that is the number of major feeder roads connecting it with destinations for potential traffic such as populous and important industrial regions, airports and other facilities within the PRD. In addition to existing connections, further connections planned include: Phase 1 West, linking with Shunde (planned for opening during 2004); and the Guangzhou Southern Expressway, linking with the Guangzhu East Line and the Nansha Port Development Area (scheduled for opening in 2005).
- In light of experience with ring roads in other major cities, the Directors anticipate that the Guangzhou E-S-W Ring Road will be an increasingly important component of the traffic system serving the greater Guangzhou metropolitan area, and supporting the city's outward expansion.

Phase 1 West

- Phase 1 of the Western Delta Route will fulfil the strategic need for a high speed link between Guangzhou city and Shunde. The Directors expect it to reduce the journey time between the two cities to approximately 10 to 15 minutes from a journey of approximately 40 minutes on existing roads.

— **The Group's Projects benefit from high barriers to competition**

- The high entry barriers in the toll highway industry offer the Company substantial incumbency and lead-time advantages. Financing capacity, technological know-how, established governmental and business relationships, and ability to commit resources to lengthy regulatory approval and development processes are among the critical qualities for success.
- The long-term significance of the Group's routes has increased with the growth of surrounding towns and facilities, and the clustering of population, industry and services in areas along the routes.
- Usage of roads depends on their accessibility relative to points of origin and destination for their potential traffic. The Group's completed roads are already supported by major feeder roads connecting with many of the most highly populous and important industrial regions, airports and other facilities in the PRD, and are well connected with the region's other major highways.
- The process of obtaining necessary official approvals, land use rights and financing for a PRC road project is complex, lengthy and expensive. Construction is also a lengthy and uncertain process. As a result, road projects have a long lead-time to completion.

— **The Company has a well-defined strategy focusing on Guangdong Province and the PRD**

- The Company's strategy is to leverage on its superior competitive advantages and the high barriers to entry of the industry to capture growth opportunities.
- The Group is well positioned to capitalise on continued growth within Guangdong Province and the PRD.
- All of the Group's Projects are strategic components or links within a developing highway network in the PRD and benefit from the continuing development of the wider network.

- The PRC's accession to the World Trade Organisation in 2001 is widely expected to contribute to continued growth in highway usage in the PRC, and the Company also anticipates that the implementation of CEPA will have a positive effect on trade and traffic flow between Hong Kong and the PRC. The Company expects Guangdong Province and the PRD to remain at the forefront of industrial and economic growth in the PRC.

— **The Group is well positioned to capitalise on new opportunities**

While the Company believes that its track record makes it well positioned to participate in further projects, the Company will only pursue opportunities which the Company believes will generate a satisfactory return on investment.

- The Group has proven expertise in the initiation, promotion, development and operation of PRC toll-road projects.
- The Group has a track record of successful co-operation with important PRC joint venture partners.

— **The Group benefits from experienced and professional management.**

STRATEGY

The Company's strategy is to leverage on its superior competitive advantages and the high barriers to entry of the industry to capture growth opportunities. This strategy involves the following principal elements:

— **To continue to focus on strategically important transport infrastructure projects in Guangdong Province and the PRD**

The Company believes that the Group's focus on Guangdong Province and the PRD will continue to deliver benefits resulting from the region's strong economic growth and the progressive economic integration of the PRD and Hong Kong.

— **To maintain the competitiveness of the existing Projects, and the stability of returns, through effective management and forward planning**

- The Company views the management of its completed Projects as the provision of a service to road users, and believes that alignment, accessibility, speed and safety are the key factors that influence road users in their choice of route.
- The Company aims to protect returns by ensuring that its roads are well maintained and offer smooth flow of traffic.

— **To capitalise on opportunities to participate in further projects**

- The Company believes that its experience, track record, connections and reputation within the PRC will continue to lead to opportunities to participate in further projects.
- The Company believes that the development of a bridge-tunnel connecting Zhuhai in Guangdong and Macau with Hong Kong will be strategic to the further economic development of the PRD, Hong Kong and Macau.
- The Group, through HHI West Co, retains the concession rights for Phases 2 and 3 of the Western Delta Route. Although no firm plans have yet been formulated for development of Phase 2 or 3, the development of these further Phases is being actively pursued by the Group.
- In addition to the projects it initiates, the Group will, in appropriate cases, consider other opportunities to participate in projects which are aligned with the Group's focus on strategically important road and related infrastructure projects.
- While the Group's primary focus is on Guangdong Province and the PRD, the Group's track record, connections and reputation may give rise to other opportunities in the PRC.

FUTURE PROSPECTS

General

The Directors consider that the Company is well positioned to benefit from continued economic growth in the PRC in general, and within Guangdong Province and the PRD in particular. In the shorter term, the Company expects to see continuing growth in traffic demand within Guangdong Province and the PRD driven by continuing economic growth in the PRC generally, and in Guangdong Province and the PRD in particular, and by associated growth in vehicle ownership and usage. Based on this expectation, the Company believes that traffic flow for the Group's existing Projects will show continuing growth. In addition to general economic factors, the Company's prospects depend on a combination of factors relevant to its existing Projects and its potential for participating in future projects.

The GS Superhighway

The GS Superhighway is a strategically important route. As the first and currently the only expressway directly connecting Guangzhou with Shenzhen and Hong Kong, the long term significance of the expressway has been enhanced by the urban and industrial corridor which has developed along the route.

Guangzhou continues to expand, as do the towns, cities and industrial centres along the route of the GS Superhighway. For example, as Dongguan has expanded, its road network has also been developed and expanded significantly to provide enhanced connectivity with the GS Superhighway, thereby establishing the conditions for increased usage of the expressway.

The route is also well positioned to benefit from significantly improved convenience and efficiency of border crossing since the Huanggang border crossing with Hong Kong was opened on a 24 hour basis from 27 January, 2003.

The Guangzhou E-S-W Ring Road

Guangzhou continues to expand and develop as the commercial centre of Guangdong Province. As Guangzhou continues to expand and develop, there is an increasing need for routes to accommodate traffic away from the congested city centre and to support the city's outward expansion. This has recently led to changes in Guangzhou's traffic policy imposing access restrictions to central Guangzhou.

Since implementation of these changes between December 2001 and May 2002, the Guangzhou E-S-W Ring Road has seen significant growth in traffic volume. In light of the experience with other major cities, the Directors anticipate that the Guangzhou Ring Road, of which the Guangzhou E-S-W Ring Road is an integral part, will be an increasingly important component of the traffic system serving the greater Guangzhou metropolitan area.

Specifically, the Company believes the Guangzhou E-S-W Ring Road is well placed to benefit from increased traffic flow from the opening of several major new connecting and feeder roads which are planned to be opened in 2004 and 2005.

Phase 1 West

The completion of Phase 1 of the Western Delta Route will fulfil the strategic need for a high speed link between Guangzhou city and Shunde. It is expected to reduce the journey time between the two cities to approximately 10 to 15 minutes from a journey of approximately 40 minutes on existing local roads. The Company expects there to be an immediate and increasing demand for a high speed route between these major centres.

Potential Further Projects

The Directors believe that the Group's track record in successfully completing PRC toll expressway projects, and the connections and reputation established by Hopewell and HHI and their directors and executives within the PRC, will continue to lead to opportunities to participate in further projects. However, the Company will only pursue opportunities which are consistent with its overall business strategies, and which the Company believes will generate a satisfactory return on investment.

In accordance with this strategy, the Company will be actively pursuing the following projects:

The Guangdong-HK-Macau Bridge-Tunnel Project

The Company believes that the development of a bridge-tunnel connecting Zhuhai in Guangdong and Macau with Hong Kong will be strategic to the further economic development of the PRD, Hong Kong and Macau.

In addition to being a logical and significant step in furthering the development of the PRD, Macau and Hong Kong as an integrated economic zone, the Company believes that this project would open up and accelerate the economic development of the western PRD resulting in the enhancement of the overall competitiveness of the PRD as a world-wide manufacturing base, providing new dynamism to the economy of Hong Kong as well as further developing Hong Kong, Macau, Zhuhai and Shenzhen into an integrated tourist zone.

In the Policy Agenda of the Second Term Government of the HKSAR published on 8 January, 2003, and in the Hong Kong Chief Executive's address to the Hong Kong Legislative Council delivered on the same date, it was stated that such a bridge link is being pursued as a priority project subject to the results of an ongoing PRC governmental feasibility study.

HHI has devoted significant efforts to promoting this project and will continue to actively pursue it. If the project proceeds, the Company believes it would be well positioned to participate subject to satisfactory investment considerations.

Phases 2 and 3 of the Western Delta Route

The Group, through HHI West Co, retains the concession rights for Phases 2 and 3 of the Western Delta Route. Although no firm plans have yet been formulated for development of Phase 2 or 3, the development of these further Phases is being actively pursued by the Group and may be implemented by way of a joint venture with a suitable PRC partner.

Phases 2 and 3 of the Western Delta Route are envisaged to comprise approximately 42 km of expressway running from the southern end of Phase 1 West in Shunde through to Zhongshan. At Zhongshan, the route would connect with (i) National Highway 105, which runs through to Zhuhai in the south, and (ii) the Jiangzhong Expressway (planned to be completed in 2004) which will link Jiangmen in the west and the Guangzhu East Line in the east. On completion of all three Phases of the Western Delta Route, it would create an arterial expressway system directly linking Guangzhou, Nanhai, Shunde and Zhongshan.

RELATIONSHIP WITH THE HOPEWELL GROUP

As part of the reorganisation of Hopewell's China infrastructure division, and in anticipation of the Offering, the Company has been established as the new holding company for Hopewell's toll-expressway and related infrastructure business and for its three existing closed system toll-expressway Projects. Following completion of the Offering, Hopewell will continue to be the Company's controlling shareholder (as that term is defined in the Listing Rules).

The Company has adopted a policy that, in general, the Group will only participate in closed system expressway projects (as opposed to open system highways), unless the size of the project makes it justifiable for the Group to do otherwise or if there are other special circumstances. Some of the distinguishing features between closed system expressways and open system highways are set out below:

Expressway/Superhighway	Open system highway
Designed for higher speed driving and faster transit from destination to destination without disruption by intersections/junctions.	Designed to facilitate access to local townships/regions along the highway.
Connection with other roads is through interchanges so that through traffic will not be disrupted. Interchanges are connections by means of ramps.	Other roads will intersect with the highway and connection with other roads is through intersections/junctions which are controlled by a roundabout or traffic light. Therefore, traffic flow will be disrupted by the intersections/junctions.
Full access control — entry and exit only through interchanges (or established entrance/exit points).	Partial access control or no access control — vehicles can enter and exit through the intersections/junctions along the highway. Intersections/junctions are connections without entrance or exit ramps and are usually equipped with traffic lights.
The entire route is enclosed. All traffic has to access the road through controlled entrances and exits.	The route of the highway may not be enclosed. Vehicles are only charged at toll plazas and can use the highway without paying as long as no toll plaza is crossed.
Design speed of at least 100km/hour.	Design speed of below 100km/hour; for class I highways, the usual design speed is 80km/hour.
For tolled expressways, tolls are usually charged on the basis of distance travelled.	For tolled open system highways, tolls are collected at fixed toll collection points. If a vehicle enters or exits the highway without passing through a toll collection point, no toll will be payable even if part of the highway has been used.

Consequently, Shunde Roads and Shunde 105, which are two open system class 1 highway projects in Shunde have been retained by the Hopewell Group. There is no direct competition between the projects of the Group on the one part and Shunde Roads and Shunde 105 on the other as their routing and areas covered are different. Currently, the Group has no intention of acquiring Hopewell Group's interest in Shunde Roads or Shunde 105. However, it is possible that as and when the time is right in the future for the development of Phase 3 of the Western Delta Route, and depending on the final alignment of the route, the Group may seek to acquire the 22.8 km Bigui Road section of Shunde Roads (or certain parts thereof) for the purpose of that project.

The Group has a clear business focus, distinct from that of the Hopewell Group. The Group's business focuses on the initiation, promotion, development and operation of strategically important roads, tunnels, bridges and related infrastructure projects in Guangdong Province and particularly the PRD. Strategically important projects would be those which would be important to (i) the traffic flow or profitability or a project of the Group, (ii) the acquisition by the Group of any new project rights, (iii) the achievement or maintenance of the strategic position of the road projects of the Group in the overall highway system or network, or (iv) the Group in its overall business plan. None of the members of the Hopewell Group is engaged in the business of PRC toll road infrastructure, except for the Hopewell Group's 25% interest in a jointly-controlled entity operating Shunde Roads and 30% interest in a jointly-controlled entity operating Shunde 105.

Hopewell has given a non-compete undertaking to the Company to the effect that for so long as Hopewell is a controlling shareholder and remains the single largest shareholder of the Company, Hopewell will not (by itself or through its subsidiaries, excluding the Group) engage in investment in toll road projects (including bridges and tunnels) in the PRC except in certain limited circumstances. (See "Relationship with the Hopewell Group — General").

Following completion of the Offering, Hopewell will continue to be the Company's controlling shareholder. Hopewell is one of the leaders in the PRC infrastructure industry and one of the first foreign companies to have invested in infrastructure projects in the PRC.

RISK FACTORS

The Directors consider that there are certain risks involved in investing in the Offer Shares. The risks can be categorised into:

— **Risks relating to the business of the Group**

- Lack of a majority or controlling interest in the Projects
- A decline in traffic volume may adversely affect the revenue and earnings of the Group
- The Group's results of operations may be affected by competing roads and bridges and other modes of transportation
- Certain ancillary government approvals are outstanding for the GS Superhighway and Guangzhou E-S-W Ring Road Projects
- Capital expenditure on completed Projects may be unpredictable, and the operation of the Group's toll expressways may be affected by events outside the Group's control
- The JV Enterprises have significant borrowings and therefore the Group's financial performance could be affected by general economic conditions and factors
- Toll receipts may be affected by the integrity of the toll collection systems
- The Company will be controlled by Hopewell, whose interests may differ from those of the Company's other shareholders

— **Risks relating to Phase 1 West and future projects**

- Approvals, JV Contract and financing remain to be concluded
- Cost overruns and delays may adversely affect the Group's results of operations
- Future growth prospects will be affected by the Group's ability to develop new projects and the pursuit of new projects may not be successful

— **Risks relating to dividends and cash flow**

- Dividend payments by the Company to Shareholders are dependent on profit distributions from the Group's JV Enterprises in the PRC
- The Group's depreciation costs are variable and subject to traffic volume
- Inter-company dividend transactions prior to the separate existence of the Group are not representative of future dividend policy

— **Risks relating to PRC toll road sector**

- The toll regime significantly impacts the Group's revenues and is regulated by government authorities
- Changes to the provincial government's transportation-related policies may impact the Group's revenues and earnings
- Proposed new toll collection arrangements have consequential risks and uncertainties
- The imposition of restrictions or onerous requirements by governmental authorities could adversely affect the Group's Projects

— **Risks relating to the PRC**

- Economic, political and social conditions, as well as government policies, in the PRC could affect the Group's results of operations
- The PRC legal system has inherent uncertainties that may limit the legal protections available to the Group
- The preferential tax treatment applicable to the Projects may not continue
- Government control of currency conversion may adversely affect the Group's operations and financial results
- Fluctuation of the Renminbi could materially affect the Group's financial condition and results of operations

— **Risks relating to the Offering**

- The liquidity and price of the Shares following the Offering may be volatile
- Future sales of substantial amounts of the Shares in the public market could adversely affect the price of the Shares
- Certain statistics are derived from publications not independently verified by the Group, the Underwriters or their respective advisors
- There may be possible deviation in the actual use of proceeds from the Offering from the intended use
- Forward-looking statements contained in this prospectus may not be fulfilled
- Assumptions relied on by independent consultants and experts may not be accurate

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present: summary combined income statement data, combined balance sheet data and combined cash flow data from the audited combined financial information with respect to the Group for the three years ended and as of 30 June, 2000, 2001 and 2002 and the ten months ended and as of 30 April, 2003 as extracted from and to be read in conjunction with the Accountants' Report in Appendix I; and unaudited combined financial information with respect to the Group for the ten months ended and as of 30 April, 2002. Such unaudited combined financial information based on the unaudited management accounts of the Group is presented for comparison purpose only.

The Group's combined financial information is prepared in accordance with IFRS which differ in certain material respects from HK GAAP and US GAAP. See "Summary of principal differences between IFRS, HK GAAP and US GAAP" in Appendix II. Under the proportionate consolidation method, the Group's combined financial information includes the Group's share of the JV Enterprises' income and expenses, assets, liabilities and cash flows on a line-by-line basis and all significant intra-group transactions, cash flows and balances are eliminated. See Notes 1 and 2 to section A (Financial Information) of the Accountants' Report in Appendix I. The fiscal year of the Company ends on 30 June while the fiscal years of the JV Enterprises end on 31 December. In preparing the combined financial information for the Group, monthly financial data for each of the JV Enterprises were aggregated to reflect a fiscal year ended 30 June. Financial data not originally stated in IFRS were converted to IFRS and further adjustments were made for proportionate consolidation under IFRS.

Summary Combined Income Statement Data

	Year ended 30 June,			Ten months ended 30 April,	
	2000	2001	2002	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Turnover[1]	769,607	859,793	918,450	765,653	861,183
Toll operation expenses	(76,112)	(85,128)	(77,549)	(64,624)	(77,004)
Other operating income	267,441	323,822	151,639	126,391	53,529
Other operating expenses	(144,755)	(165,993)	(211,127)	(175,939)	(210,035)
Profit from operations	816,181	932,494	781,413	651,481	627,673
Finance costs	(267,683)	(303,643)	(220,635)	(183,862)	(167,685)
Profit before tax	548,498	628,851	560,778	467,619	459,988
Income tax expense	(24,700)	(25,798)	(19,298)	(16,082)	(16,420)
Profit after tax	523,798	603,053	541,480	451,537	443,568
Minority interest	(4,849)	(2,431)	(9,051)	(7,543)	(9,869)
Profit for the year/period	518,949	600,622	532,429	443,994	433,699
Dividends	—	—	2,200,000	2,200,000	—
Earnings per share — basic[2]	HK$0.24	HK$0.28	HK$0.25	HK$0.21	HK$0.20

Notes:

(1) Turnover represents toll receipts, net of business tax.

(2) Calculation of the basic earnings per share for each of the periods is based on the profit for the respective period and on 2,160,000,000 ordinary shares deemed outstanding during each period.

Summary Combined Balance Sheet Data

	As at 30 June,			As at 30 April,	
	2000	2001	2002	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Toll road projects under development and loans to jointly controlled entities	5,320,871	4,712,508	1,639,721	1,767,851	1,161,353
Bank balances and cash	259,232	512,749	97,819	180,885	291,063
Total assets	17,398,682	16,502,995	12,932,645	13,304,147	12,478,512
Shareholders' equity	1,888,613	2,489,848	821,100	733,777	1,246,912
Minority interests	7,250	9,681	18,732	17,224	28,601
Long-term borrowings, non-current portion	13,319,108	12,934,315	11,628,851	11,984,985	10,556,280
Loans payable, current portion	1,881,133	787,263	253,857	340,365	376,197
Total liabilities	15,502,819	14,003,466	12,092,813	12,553,146	11,202,999

Other Financial Data

	Year ended 30 June,			Ten months ended 30 April,	
	2000	2001	2002	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cash flows from operating activities	596,938	690,888	707,531	554,806	847,935
Cash flows (used in)/from investing activities	(345,539)	1,318,207	3,177,454	3,120,027	431,685
Cash flows used in financing activities	(43,023)	(1,753,724)	(4,304,638)	(4,006,631)	(1,087,541)
Capital expenditures(1)	(552,041)	(98,265)	(10,028)	(3,080)	(60,333)

Note:

(1) Capital expenditures are part of and not in addition to cash flows from investing activities.

According to paragraphs 27 and 31 of the Third Schedule of the Companies Ordinance and rule 4.04 of the Listing Rules, the Company is required to include its financial results for each of the three financial years immediately preceding the issue of this prospectus. The SFC and the Stock Exchange have granted waivers in relation to these two requirements, respectively. Instead, results for the three years ended 30 June, 2002 and the ten months ended 30 April, 2003 have been included in the Accountants' Report. The Directors confirm that sufficient due diligence has been conducted to ensure that there has been no material adverse change in the financial or trading position of the Group since 30 April, 2003 and up to the date of this prospectus and that there has been no event since 30 April, 2003 which would materially affect the information shown in the Accountants' Report in Appendix I.

Profit Estimate For The Year Ended 30 June, 2003 And Profit Forecast For The Year Ending 30 June, 2004

		Year ended 30 June, 2003	Year ending 30 June, 2004
Estimated/Forecast combined profit after taxation and minority interests but before extraordinary items(1)	Not less than:	HK$522 million	HK$700 million
Estimated/Forecast earnings per Share(1):			
Year ended 30 June, 2003			
Basic(2)		HK$0.242	N/A
Year ending 30 June, 2004			
Proforma fully diluted(3)		N/A	HK$0.244
Weighted average(4)		N/A	HK$0.249

Notes:

(1) The estimated combined profit after taxation and minority interests but before extraordinary items for the year ended 30 June, 2003 and the forecast combined profit after taxation and minority interests but before extraordinary items for the financial year ending 30 June, 2004 are set out under "Financial Information — Profit Estimate and Forecast", and a summary of the bases and assumptions on and subject to which such estimate and forecast have been prepared are set out in Appendix III.

(2) The calculation of the estimated earnings per Share for the financial year ended 30 June, 2003 is based on the estimated combined profit after taxation and minority interests but before extraordinary items of HK$522 million and 2,160,000,000 Shares in issue prior to the Offering.

(3) The calculation of the forecast earnings per Share on a proforma fully diluted basis for the financial year ending 30 June, 2004 is based on (i) a proforma forecast combined profit of HK$702 million, comprising the forecast combined profit (after taxation and minority interests but before extraordinary items) of HK$700 million adjusted for the interest that would have been earned from the estimated net proceeds of the Offering at a net after-tax interest rate of 1% per annum from 1 July, 2003 until 5 August, 2003 (being the day immediately before the expected date of receipt of the total net proceeds of the Offering) and (ii) assumes that 2,880,000,000 Shares (being the number of Shares expected to be in issue immediately after completion of the Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or upon the exercise of the subscription rights attaching to the Warrants or upon the exercise of options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares described in the paragraph headed "Written resolutions of the sole Shareholder passed on 16 July, 2003" in Appendix IX) will be in issue throughout the year.

(4) The calculation of the forecast earnings per Share on a weighted average basis for the financial year ending 30 June, 2004 is based on the forecast combined profit (after taxation and minority interests but before extraordinary items) of HK$700 million and the weighted average number of 2,809,180,328 Shares expected to be in issue during the year. This weighted average number is based on the assumption that a total of 2,160,000,000 Shares will have been in issue from 1 July, 2003 until 5 August, 2003, and that a total of 2,880,000,000 Shares (being the same total number of Shares expected to be in issue immediately after completion of the Offering as referred at Note (3) above) will be in issue from 6 August, 2003 throughout the remainder of the financial year.

OFFER STATISTICS

	Based on an Offer Price of HK$4.10 per Share	Based on an Offer Price of HK$4.75 per Share
Market capitalisation(1)	HK$11,808 million	HK$13,680 million
Adjusted net asset value per Share(2)	HK$5.71	HK$5.87
Discount of Offer Price to adjusted net asset value per Share	28.2%	19.1%
Adjusted net tangible asset value per Share(2)	HK$2.32	HK$2.48
Premium of Offer Price to adjusted net tangible asset value per Share	76.7%	91.5%
Estimated/Forecast price/earnings multiples(3)		
Year ended 30 June, 2003		
Basic(3)	16.9 times	19.6 times
Year ending 30 June, 2004		
Proforma fully diluted(3)	16.8 times	19.5 times
Weighted average(3)	16.5 times	19.1 times

Notes:

(1) The figures for market capitalisation are based on 2,880,000,000 Shares expected to be in issue immediately after completion of the Offering. The market capitalisation figures for the Shares do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or upon the exercise of the subscription rights attaching to the Warrants or upon the exercise of options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares described in the paragraph headed "Written resolutions of the sole Shareholder passed on 16 July, 2003" in Appendix IX.

(2) The adjusted net asset value per Share and the adjusted net tangible asset value per Share have been arrived at after making the adjustments referred to under "Financial Information — Adjusted Net Tangible Assets" and on the basis of the same total of 2,880,000,000 Shares referred to in Note (1) above.

(3) The estimated and forecast price/earnings multiples are based on the applicable estimated/forecast earnings per Share stated above under "Profit Estimate for the Year Ended 30 June, 2003 and Profit Forecast for the Year Ending 30 June, 2004" and on the stated Offer Prices of HK$4.10 per Share and HK$4.75 per Share as applicable.

USE OF PROCEEDS

The net proceeds of the Offering (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$4.425 per Share, being the midpoint of the estimated Offer Price range of HK$4.10 to HK$4.75 per Share) are estimated to be approximately HK$3,021 million (and HK$3,499 million, if the Over-allotment Option is exercised in full).

The Company currently intends to use the net proceeds from the Offering as follows:

- approximately HK$1,800 to 2,200 million of the net proceeds (exclusive of any proceeds from the Over-allotment Option) are expected to be used towards investments in new toll roads, bridges and related infrastructure projects which the Company intends to pursue;
- approximately HK$550 million of the net proceeds (exclusive of any proceeds from the Over-allotment Option) are to be used for repayment of shareholder's loans advanced by the Hopewell Group for the Guangzhou E-S-W Ring Road Project;
- approximately HK$372 million of the net proceeds (exclusive of any proceeds from the Over-allotment Option) are to be used for repayment of the outstanding bank loan from Bank of China (Hong Kong) Limited; and
- the balance (inclusive of any proceeds from the Over-allotment Option) is expected to be used for future corporate and general working capital purposes of the Group.

To the extent that the proceeds of the Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held as other treasury instruments.

DIVIDEND POLICY

In the absence of unforeseen circumstances, the board of Directors intends to recommend and pay total dividends in respect of the year ending 30 June, 2004 of not less than HK$0.225 per share.

Further details relating to dividends are contained in the section headed "Financial Information — Dividend Policy".

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Associate"	the meaning ascribed thereto in the Listing Rules
"Assured Entitlement Rights"	the right of Qualifying Hopewell Shareholders to receive by way of special interim distribution in kind by Hopewell (free of consideration and in recognition of the assured entitlements to which shareholders of Hong Kong listed companies are entitled under the Listing Rules in connection with "spin-off" listings) Warrants in the ratio of 1 Warrant for every whole multiple of 10 Hopewell Shares respectively held by them on the Record Date
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CEPA"	the Closer Economic Partnership Agreement between the PRC and Hong Kong signed on 29 June, 2003
"Citigroup"	Citigroup Global Markets Asia Limited (and, in relation to the International Offer where the context admits, Citigroup Global Markets Limited)
"CKI"	CKI Guangzhou Ring Roads Limited, a subsidiary of Cheung Kong Infrastructure Holdings Limited
"Companies Law"	The Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Hopewell Highway Infrastructure Limited, a company incorporated in the Cayman Islands on 14 January, 2003 with limited liability
"Director(s)"	the director(s) of the Company
"FPD"	FPDSavills (Hong Kong) Limited
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries and, in respect of the period before the Company became the holding company of its present subsidiaries, the entities which carried on the business of the present Group at the relevant time

"GS JV Contract"	a Sino-foreign co-operative joint venture contract originally entered into between the GS Superhighway PRC Partner and HHI GS Superhighway Co on 20 April, 1987 and subsequently amended, and including the articles of association of GS Superhighway JV
"GS Superhighway"	the Guangzhou-Shenzhen Superhighway, a 122.8 km closed system asphalt-paved dual three lane expressway running between Huanggang in Shenzhen and Guangdan in Guangzhou where it connects to the Guangzhou E-S-W Ring Road
"GS Superhighway JV"	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited
"GS Superhighway PRC Partner"	Guangdong Provincial Highway Construction Company
"Guangdong-HK-Macau Bridge-Tunnel Project"	a proposed bridge-tunnel system which would provide a vehicular link between Zhuhai in Guangdong and Macau and Hong Kong, as referred to in the Policy Agenda of the Second Term Government of the HKSAR published on 8 January, 2003
"Guangzhou E-S-W Ring Road"	the Guangzhou East-South-West Ring Road, a 38 km 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
"Guangzhou Ring Road"	the inter-connected expressway ring road route around Guangzhou formed by the Guangzhou E-S-W Ring Road and the Northern Ring Road
"HHI GS Superhighway Co"	Hopewell China Development (Superhighway) Limited, a subsidiary of the Company incorporated in Hong Kong with limited liability
"HHI Ring Road Co"	Hopewell Guangzhou Ring Road Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
"HHI West Co"	Guangdong Hopewell Guangzhou-Zhuhai Superhighway Development Limited, a subsidiary of the Company established as a wholly foreign owned enterprise according to applicable PRC laws
"HHI West HK Co"	Hopewell Guangzhou-Zhuhai Superhighway Development Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
"HK$" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong GAAP"	generally accepted accounting principles in Hong Kong
"Hopewell"	Hopewell Holdings Limited

"Hopewell China"	Hopewell China Development Limited
"Hopewell Group"	Hopewell and its subsidiaries but excluding the Group
"Hopewell Highway Infrastructure" or "HHI"	the Company and its subsidiaries and, in respect of the period before the Company became the holding company of its present subsidiaries, the highway infrastructure business of the present Group at the relevant time as carried on by the Group entities which conducted that business
"Hopewell Shares"	shares with par value of HK$2.50 each in the share capital of Hopewell
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IASB"). IFRS includes International Accounting Standards ("IAS") and interpretations
"International Offer"	the offer of International Offer Shares to professional, institutional and other investors as further described in the section headed "Structure of the Offering"
"International Offer Shares"	648,000,000 new Shares (subject to adjustment as described under "Structure of the Offering") which are the subject of the International Offer together, where relevant, with any additional new Shares to be issued pursuant to the Over-allotment Option
"International Underwriters"	the underwriters of the International Offering whose names are set out in the section headed "Underwriting — International Underwriters"
"International Underwriting Agreement"	the underwriting agreement relating to the International Offer expected to be entered into on or about 31 July, 2003 between, among others, the Company, Citigroup and the International Underwriters, as further described in the section headed "Underwriting"
"JV Contract"	with respect to any relevant Project, the GS JV Contract, the Ring Road JV Contract or the Phase 1 West JV Contract, as the context requires
"JV Enterprise"	with respect to any Project, the joint venture enterprise which is developing or operating the relevant road, being the GS Superhighway JV, the Ring Road JV or (when established) the Phase 1 West JV, as the context requires
"Latest Practicable Date"	18 July, 2003
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares and Warrants on the Stock Exchange first commence
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macau"	the Macau Special Administrative Region of the PRC

"Northern Ring Road"	Guangzhou's northern by-pass to which the eastern and western ends of the Guangzhou E-S-W Ring Road connect
"Offer Price"	the final price per Offer Share (exclusive of brokerage, the Stock Exchange trading fee, the SFC transaction levy and investor compensation levy) at which the Offer Shares are to be issued and sold pursuant to the Offering, to be determined as described under "Structure of the Offering — Offer Price under the Public Offer"
"Offer Shares"	the Public Offer Shares and the International Offer Shares
"Offering"	the Public Offer and the International Offer
"Over-allotment Option"	the option expected to be granted by the Company to Citigroup on behalf of the International Underwriters pursuant to the International Underwriting Agreement, to require the Company to issue up to an aggregate of 108,000,000 additional Shares at the Offer Price in connection with over-allocations in the International Offer and other stabilizing action in respect of the Shares
"Parsons Brinckerhoff"	Parsons Brinckerhoff (Asia) Ltd.
"Pearl River Delta" or "PRD"	the region commonly referred to by that name, located at the mouth of the Pearl River in the southern part of Guangdong Province in the PRC as illustrated in maps contained in this prospectus, having an area of approximately 41,698 sq. km and excluding Hong Kong and Macau
"Phase 1 West"	the 14.7 km Guangzhou to Shunde section of the Western Delta Route
"Phase 1 West PRC Partner"	Guangdong Provincial Highway Construction Company
"Phase 1 West JV"	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, application for the establishment of which is currently in progress
"Phase 1 West JV Contract"	a Sino-foreign co-operative joint venture contract expected to be entered into between the Phase 1 West PRC Partner and HHI West HK Co, and including the articles of association of the Phase 1 West JV
"PRC"	the People's Republic of China excluding, for the purposes of this prospectus, Hong Kong, Macau and Taiwan
"PRC GAAP"	generally accepted accounting principles in the People's Republic of China
"Price Determination Date"	the date, expected to be on or around 31 July, 2003, on which the Offer Price is fixed for the purpose of the Offering
"Projects"	the toll expressway projects in which the Company has an economic interest
"Public Offer"	the offer of Public Offer Shares for subscription by the public in Hong Kong at the Offer Price, on and subject to the terms and conditions stated herein and in the related application forms

"Public Offer Shares"	72,000,000 new Shares (subject to adjustment as described under "Structure of the Offering") being offered for subscription under the Public Offer
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are set out in the section "Underwriting — Public Offer Underwriters"
"Public Offer Underwriting Agreement"	the underwriting agreement dated 25 July, 2003 relating to the Public Offer and entered into between, among others, the Company, Citigroup and the Public Offer Underwriters as further described under "Underwriting"
"Qualifying Hopewell Shareholders"	holders of Hopewell Shares whose names appeared on the register of members of Hopewell at the close of business on the Record Date, other than those whose addresses on such register at the close of business on the Record Date were outside Hong Kong
"Record Date"	16 July, 2003
"Regulation S"	Regulation S of the U.S. Securities Act, as amended from time to time
"Reorganisation"	the reorganisation of the Group in preparation for the Offering, details of which are set out in the paragraph headed "Corporate Reorganisation" in Appendix IX
"Ring Road JV"	Guangzhou E-S-W Ring Road Company Limited
"Ring Road JV Contract"	a Sino-foreign co-operative joint venture contract dated 23 November, 1992 (and subsequently amended) by which the Ring Road PRC Partner, HHI Ring Road Co and CKI are bound, and including the articles of association of the Ring Road JV
"Ring Road JV Partners"	CKI and the Ring Road PRC Partner
"Ring Road PRC Partner"	Guangzhou City Tongda Highway Company
"Renminbi" or "RMB"	the lawful currency for the time being of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act, as amended from time to time
"SAFE"	the PRC State Administration of Foreign Exchange
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	the share option scheme approved by the Company on 16 July, 2003, the principal terms of which are summarised in the section headed "Share Option Scheme" in Appendix IX
"Shareholders"	holders of Shares
"Shares"	shares of nominal value HK$0.10 each in the capital of the Company
"Shenzhen"	the Shenzhen Special Economic Zone of the PRC

"Shunde 105"	the Shunde section of National Highway 105 comprising a 31.5 km open system class I highway between the western approach of the Bijiang Bridge and the northern approach of the Xijiao Bridge
"Shunde Roads"	an open system network of four interconnected class I highways, and eight principal bridges, with a combined length of 102.4 km in Shunde, Guangdong Province consisting of Sanle Road, Longzhou Road, Bigui Road and Baian Road
"Sponsor"	Citigroup Global Markets Asia Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Track Record Period"	the three years ended 30 June, 2002 and ten months ended 30 April, 2003
"Underwriters"	the Public Offer Underwriters and the International Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollar"	the lawful currency of the United States of America
"USA", "U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US GAAP"	generally accepted accounting principles in the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time
"Warrantholders"	persons who are for the time being registered in the register of holders of Warrants maintained by the Warrant registrar as holders of Warrants
"Warrants"	warrants of the Company to be created and distributed to the Qualifying Hopewell Shareholders by way of special interim distribution in kind by Hopewell (on the basis described in this prospectus) entitling the holder to subscribe for new Shares at any time from the Listing Date up to and including the day immediately preceding the third anniversary of the Listing Date; each such warrant will confer the right to subscribe an amount equivalent to the Offer Price for Shares at an initial subscription price equivalent to the Offer Price (subject to adjustment): the Warrants will be listed on the Stock Exchange and the principal terms of the Warrants are summarised in Appendix VII
"Western Delta Route"	the route for a proposed network of approximately 58 km of dual three lane toll-expressways which would be a major transportation route in the western PRD, linking Guangzhou to Zhongshan, and of which Phase 1 West is one part
"WTO"	the World Trade Organisation

GLOSSARY

The glossary contains explanations of certain terms and definitions used in this prospectus in connection with the Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

In this prospectus, the words "road" and "highway" have the same meaning and an "expressway" is a road of the highest grade.

"expressway"(1)	a divided road with full access control for vehicles (including motorcycles) connecting particularly important political and economic centres
"class I"(1)	a divided road generally with partial access control for vehicles (including motorcycles) connecting important political and economic centres with key industrial and mining districts, harbours and airports
"class II"(1)	a road serving as a major link between political and economic centres, large industrial and mining districts, harbours, airports and major communication centres
"class III"(1)	a road connecting municipalities and counties
"class IV"(1)	a road connecting counties, towns and villages
"closed system"	a toll system in which all vehicles entering the system are known and recorded, and for which tolls are calculated by reference to the distance travelled on the expressway
"open system"	a toll system where a fixed toll is collected at each toll plaza on the highway. Vehicles travelling on the highway must stop at each toll plaza and pay the fixed toll. After paying a toll the vehicle is free to leave the highway or continue to the next toll plaza
"IC card"	a smart card utilising contactless integrated circuit technology which is issued to drivers on entry, and used to record and determine information relevant to computation of tolls on the Group's closed system highways

Note:

(1) These definitions are according to the Highways Engineering Standard JTJ 01-88 Ministerial Standard of the Ministry of Communications, PRC, 1995 edition.

Prospective applicants for the Offer Shares should consider carefully all of the information set out in this prospectus and, in particular, the following risk factors in connection with an investment in the Company.

RISKS RELATING TO THE BUSINESS OF THE GROUP

Lack of a majority or controlling interest in the Projects

The Company develops and operates the Projects through co-operative joint ventures. Co-operation and agreement with joint venture partners are important factors for the smooth operation and financial success of the Group's Projects. The Group does not have a majority or controlling interest in any of the JV Enterprises, and the Group's ability to control the policies and decisions of the JV Enterprises depends on agreement with the Group's joint venture partners and the rights of the Group under the JV Contracts. Disputes among the partners and any failure by joint venture partners to observe applicable provisions of JV Contracts could materially affect the Group's results of operations.

A decline in traffic volume may adversely affect the revenue and earnings of the Group

Revenue from the Group's toll expressways is principally dependent upon the number of motor vehicles using such roads and the applicable toll regime (see "The toll regime significantly impacts the Group's revenues and is regulated by government authorities" below).

Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, the existence of other means of transportation, including rail and waterway, fuel prices, taxation and environmental regulations. Although the Company believes that its toll expressways offer advantages over alternative roads, there is no assurance that such other roads or modes of transportation will not significantly improve their services and reduce their charges, and consequently adversely affect the revenue and earnings of the Group.

The volume of traffic on a given toll road is also influenced by the basis and extent of the road's connection with other parts of the local and national highway network. There can be no assurance that future changes in the highway system and network in Guangdong Province and, in particular, the PRD, will not adversely affect the traffic volume on the Group's toll expressways.

Future growth in traffic volume is expected to depend on the continued economic growth and development policies of the PRC, Guangdong Province and, in particular, the PRD and the principal cities and counties within the PRD. Any adverse changes in these economies may adversely affect the traffic volume on the Group's toll expressways.

Parsons Brinckerhoff has been engaged as the independent traffic consultant to conduct an independent traffic and revenue study for the Group's roads. See "Appendix VI — Traffic Consultant's Report". The respective traffic and revenue projections of the Group's toll expressways by Parsons Brinckerhoff were prepared using such analytical methods and models as were considered appropriate by Parsons Brinckerhoff. The projections were based on, among other things, certain assumptions regarding sociological, demographical and economic trends in Guangdong Province and the PRD. There can be no assurance that assumptions used in developing such projections, which include the absence of any adverse regulatory actions by the PRC Government, completion of new connections and market acceptance of the toll rate levels, will prove to be accurate. There can be no assurance that actual traffic volume will be in line with the projected traffic volume. Any significant shortfall in actual traffic volume may have a material adverse effect on the Group's revenue and earnings.

The Group's results of operations may be affected by competing roads and bridges and other modes of transportation

The Group's results may in the future be affected by competing routes of comparable quality to its roads and bridges and alternative modes of transportation.

The Guangdong Provincial Government and certain municipal governments in the Guangdong Province have announced plans for possible roads in the Guangdong Province, some or all of which might compete with the Group's roads. See "Competition" in "The Road Projects — The Guangzhou-Shenzhen Superhighway", "The Road Projects — The Guangzhou East-South-West Ring Road" and "The Road Projects — Phase 1 West". In particular, if the new highway along the eastern PRD coast-line is developed (see "The Road Projects — The Guangzhou-Shenzhen Superhighway — Competition — Existing and potential competing roads"), it may provide an alternative to the GS Superhighway for traffic between Guangzhou and Shenzhen and may have an impact on GS Superhighway's revenue (see "Toll Road Traffic and Revenue Study in Pearl River Delta — Sensitivity" in the traffic consultant's report set out in Appendix VI). Although the Company believes that there are significant practical and commercial barriers to effective direct competition with its roads, there can be no assurance that existing roads or modes of transportation will not significantly improve their services or reduce their charges, or that alternative roads will not be built which may charge lower tolls or provide more direct routing to locations served by the Group's toll expressways, which may adversely affect the results of operations of the Group.

Certain ancillary government approvals are outstanding for the GS Superhighway and Guangzhou E-S-W Ring Road Projects

The Group has been advised by its PRC lawyers that all material approvals for the GS Superhighway and Guangzhou E-S-W Ring Road Projects have been obtained from appropriate authorities, except:

(a) in relation to the GS Superhighway, approvals from Guangdong Provincial Government and/or other relevant authority for amendment of the GS JV Contract in respect of payment of accruing returns on investment after 1 January, 2002;

(b) in relation to the GS Superhighway, the Certificates of Building Ownership for the units of Jiaxing Building which the GS Superhighway JV has a contractual right to own;

(c) in relation to the Guangzhou E-S-W Ring Road, the land use rights certificates or other title documents for the sections of the road located within Guangzhou; and

(d) in relation to land within certain interchanges of the GS Superhighway, the land use rights certificates have not been issued as the Group is still discussing with the PRC authorities as to the permitted use of such land in addition to their use for pure interchange purposes.

Except for (a) above, all these outstanding ancillary approvals have been applied for, and the Company expects such approvals to be duly obtained in due course. However, there can be no assurance that such approvals will be obtained, and any failure to obtain any such approval might or might not have an adverse effect on the Group's operations and/or financial position.

Capital expenditure on completed Projects may be unpredictable, and the operation of the Group's toll expressways may be affected by events outside the Group's control

As operator of a toll expressway, each of the JV Enterprises is responsible at its own cost for the maintenance and repair of its toll expressway throughout the operating concession period. The continuing repair and maintenance of any highway or bridge involves significant and potentially unpredictable expenditure. There can be no assurance that the Group's operations and financial position may not be adversely affected at some time by significant unforeseen capital expenditure requirements.

There will be capital costs in implementing the system changes likely to be necessitated by proposals for new toll collection arrangements affecting toll expressways in Guangdong Province which are expected to involve the introduction of a provincial toll pass in parallel with existing toll collection arrangements (see "Proposed new toll collection arrangements have consequential risks and uncertainties" below). Although the Company has no reason to believe that such costs would be material in the context of total toll receipts from the Group's roads, there can be no assurance that significant costs will not be involved or that the revenues and earnings and financial position of the Company may not be adversely affected.

The condition and operation of the Group's toll expressways may be affected by catastrophic events such as serious adverse weather, natural disasters, epidemics and major road accidents. To date, no material events of this nature have adversely affected the operation of any of the Group's roads. However, if the condition or operation of the Group's toll expressways were seriously affected as a result of any such events, the revenue and earnings and financial position of the Company may be adversely affected.

The JV Enterprises maintain insurance cover which the Directors consider, based on the advice of the Group's insurance advisers, to be appropriate to the operations and circumstances of the Group's Projects, including public liability, property all-risk and money all-risk cover. The Phase 1 West Project (and, when established, the Phase 1 West JV) has the benefit of construction all-risk and third party liability cover in respect of the Project's development. However, neither the Group nor the JV Enterprises maintain loss-of-profits cover in respect of such events and there is never any guarantee that insurance cover can be renewed on satisfactory terms or at all.

The JV Enterprises have significant borrowings and therefore the Group's financial performance could be affected by general economic conditions and factors

The Group's Project interests are held through the JV Enterprises, all of which have significant debt obligations under bank loans borrowed to finance or refinance project costs.

All existing borrowings of the JV Enterprises are outstanding on variable interest rate terms under which interest rates will be adjusted according to market movements in interest rates. It has not been the Group's or the JV Enterprises' policy to hedge against movements in interest rates. Any significant increase in interest rates could have a significant adverse effect on the Group's revenues and earnings.

The existing borrowings of the JV Enterprises are currently scheduled to be repaid over periods significantly shorter than the concession periods for the Group's roads. Accordingly, this will reduce the availability of cash flow to fund working capital requirements, capital expenditures and other general corporate requirements.

A significant portion of the outstanding borrowings of the GS Superhighway JV is denominated in U.S. dollars. The registered capital contributed to the GS Superhighway JV by the Group is denominated in Hong Kong dollars. The JV Enterprises, which operate the Group's toll expressways, receive all of their revenues in Renminbi, and the financial statements and earnings of the JV Enterprises are expressed in Renminbi. Accordingly, the financial condition and results of operations of the JV Enterprises and the Group will be affected by changes in the value of those currencies other than Renminbi in which relevant obligations are denominated. In particular, any devaluation of the Renminbi is likely to affect the JV Enterprises' and the Group's ability to repay and service foreign currency-denominated obligations.

Toll receipts may be affected by the integrity of the toll collection systems

The possibility exists for loss or reduction of revenue if the controls on toll collection are inadequate to ensure that the correct tolls are collected and duly received by the relevant JV Enterprise from all relevant vehicles which are obliged to pay tolls.

The GS Superhighway and the Guangzhou E-S-W Ring Road are closed system expressways with computerised toll validation. All of the Group's toll expressways utilise computerised surveillance systems and strict checks and balances are in place to ensure staff accountability. There can be no assurance, however, that such controls and systems will remain adequate in the future and that toll receipts and consequently the Group's revenues and results of operation would not be adversely affected. In particular, there are proposals for new toll collection arrangements affecting toll expressways in Guangdong Province which are expected to involve the introduction of a provincial toll pass in parallel with existing toll collection arrangements but which have not yet been fully developed. (See "Proposed new toll collection arrangements have consequential risks and uncertainties" below).

The Company will be controlled by Hopewell, whose interests may differ from those of the Company's other shareholders

Immediately following the Offering (and assuming that the Over-allotment Option is exercised in full), Hopewell will own a total of approximately 72.3% of the Company's issued share capital. This ownership percentage will enable Hopewell to elect the Company's entire board of directors without the concurrence of any of the Company's other shareholders. Accordingly, Hopewell will be in a position (subject to applicable Cayman Islands laws and regulations and relevant provisions of the Company's articles of association) to:

- control the policies, management and affairs of the Company;
- determine the timing and amount of dividend payments;
- adopt amendments to certain of the provisions of the Company's articles of association; and
- otherwise determine the outcome of most corporate actions, including the enforcement of indemnities against Hopewell, and, subject to the requirements of the Listing Rules, cause the Company to effect corporate transactions without the approval of minority shareholders.

Hopewell's interests may sometimes conflict with those of the Company's minority shareholders. There can be no assurance that Hopewell, as controlling shareholder, will always vote its shares in the same way as the Company's other shareholders.

RISKS RELATING TO PHASE 1 WEST AND FUTURE PROJECTS

Approvals, JV Contract and financing remain to be concluded

The development of a major infrastructure project typically requires substantial funding and several years of construction. In the PRC, road infrastructure projects also involve a complex and lengthy process of formal official and governmental authorisations and approvals as well as significant administrative and logistical difficulties concerning acquisition and usage of land rights. In-principle financing commitments have been obtained in relation to Phase 1 West which are expected to be confirmed in due course with formal binding facilities. Various approvals for the Phase 1 West Project have yet to be obtained from appropriate authorities, including the formal approval for the restructuring of the Western Delta Route project which is required from the Guangdong Commission of Foreign Trade and Economic Cooperation ("Guangdong COFTEC") or its successor. In addition, although the terms of the Phase 1 West JV Contract have been substantially settled as between the parties, there can be no assurance that the Phase 1 West PRC Partner will enter into the Phase 1 West JV Contract or that the terms of the JV Contract will not change before the Phase 1 West JV is established.

The necessary approvals from Guangdong COFTEC have been applied for and preliminary approval has been obtained. Following completion of the various formal notifications required to be given to certain creditors, the Company expects the final approval to be duly obtained in due course (see "The Road Projects — Phase 1 West — Approval Process for Phase 1 West"). However, there can be no assurance that such approvals will be obtained either in the terms applied for or at all, and any failure to obtain any such approval could have an adverse effect on the Group's operations and financial position. Furthermore, there can be no guarantee in relation to any other possible future projects that financing can be obtained, either on satisfactory terms or at all, or that requisite approvals for the project can be obtained at the necessary time.

Cost overruns and delays may adversely affect the Group's results of operations

Considerable capital expenditure is required for most road projects during the construction period and it generally takes several years for a project to be completed and to begin generating income. The construction period and the capital required to complete any given project may be affected by different factors, including delay in land acquisition, shortages of construction materials, equipment and labour, bad weather conditions, natural disasters, disputes with workers or contractors, accidents, changes in government policies and other unforeseen difficulties or circumstances. Delay in completion of a particular project may result from any such events, resulting in cost overruns and loss of income. Significant delays and cost overruns in road construction may adversely affect the earnings and cashflow of a toll road operator.

Phase 1 West is expected to be completed by mid-2004. However, notwithstanding fixed price construction and land acquisition contracts, Phase 1 West may experience cost overruns or delays in its completion and any significant cost overruns or delays in completion of the Project may adversely affect the results of operations of the Group.

Future growth prospects will be affected by the Group's ability to develop new projects and the pursuit of new projects may not be successful

The future growth prospects of the Group will depend to some extent upon its ability to develop further infrastructure projects. The development of future projects could be affected by many factors, including general political and economic conditions in the PRC, prevailing interest rates, construction cost and the cost and availability of necessary land or land use rights. The Group's capability to develop further projects will depend on its ability to obtain relevant government approvals, to reach agreement with potential joint venture partners on satisfactory commercial and technical terms and to enter into binding contracts with such parties. While the Group is experienced in conducting such negotiations, it cannot guarantee success with respect to any particular project. Each project will also require certain government consents and approvals as part of the development process, the obtaining of which cannot be guaranteed.

In particular, there can be no assurance that the development of the bridge-tunnel project connecting Zhuhai in Guangdong and Macau with Hong Kong will proceed or that if it does proceed, the Company would have the opportunity to participate in such project either on terms satisfactory to it or at all. Furthermore, in order for Phases 2 and 3 of the Western Delta Route to proceed, a number of key matters such as route alignment and terms of concession will require to be further negotiated and finalised with the relevant PRC authorities, and there can be no assurance that such matters can be resolved, either on satisfactory terms or at all, or that Phases 2 and 3 will proceed at all. There can also be no assurance that the Group's future projects will provide terms that are equivalent to or as favourable as the Group's existing Projects. However, the Company will only pursue opportunities which the Company believes will generate a satisfactory return on investment. Failure to develop new projects will adversely affect the Group's growth prospects.

RISKS RELATING TO DIVIDENDS AND CASH FLOW

Dividend payments by the Company to Shareholders are dependent on profit distributions from the Group's JV Enterprises in the PRC

The Group's revenues and the availability of profits which may be distributed by the Company will be significantly dependent on revenues and distributions of profits from the Projects operated by the JV

Enterprises. The profits available for distribution by the Company to its Shareholders are therefore dependent on profits available for distribution to the Group by the JV Enterprises. Profits of the JV Enterprises are determined in accordance with PRC GAAP and the terms of the JV Contracts. Such profits differ from those that would be reached using IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. In addition, under the relevant PRC financial regulations, profits available for distribution are determined after transfers to statutory reserve funds required under PRC law.

Distributions by the JV Enterprises require the unanimous approval by the board of directors present at a board meeting of the relevant JV Enterprise in accordance with the terms of the JV Contracts. Each joint venture partner's entitlement to the relevant JV Enterprise's profit, net cash flow or net operating income (as the case may be) is fixed by the relevant JV Contract. In addition to the requirement that there are sufficient profits available for distribution, the ability of the JV Enterprises to make distributions to the Group will depend on availability of cash, after taking into account, among other things, capital expenditure and debt service commitments of the relevant JV Enterprise. The financing agreements governing the loan facilities extended to the various JV Enterprises also contain provisions which may restrict profit distributions to the Group by reference to, among other things, the total cash reserve of the relevant JV Enterprise at the relevant time (see sections on financing arrangements in "The Road Projects"). Under current PRC foreign exchange regulations, the JV Enterprises will be able to make profit distribution payments in foreign currency without prior approval from SAFE by complying with certain procedural requirements. However, there can be no assurance that this will remain the case (see "Government control of currency conversion may adversely affect the Group's operations and financial results" below). As such, if there are little or no profit distributions by the JV Enterprises, dividend payments by the Company to its Shareholders will be adversely affected.

The Group's depreciation costs are variable and subject to traffic volume

Each of the Group's JV Enterprises depreciates its fixed assets in a straight line manner. However, consistent with IFRS, the Group adopts the rate of usage method, which is calculated to write off costs, commencing from the date of commencement of commercial operations, based on the ratio of actual traffic volume compared to the total expected traffic volume over the remainder of the relevant concession period. Given a specific concession period, which is usually dictated by the joint venture period and therefore varies from one project to another, the annual depreciation charge is dependent on actual usage relative to the projected traffic volume for the remaining concession period for the particular project. The projected traffic volume is derived from the Group's estimates which are based on independent and/or internal research. However, in each case, the actual traffic volume achieved could be different which would affect the Group's results of operations.

Inter-company dividend transactions prior to the separate existence of the Group are not representative of future dividend policy

During the year ended 30 June, 2002, the Group had declared an inter-company dividend of HK$2,200 million which was left outstanding on current account in favour of the Hopewell Group. No cash dividend was paid. Of their very nature, such historic inter-company transactions will not be representative of future dividend payments. The amounts left outstanding on current account have subsequently been capitalised as part of the reorganisation leading to the separate establishment of the Group in anticipation of the Offering or repaid out of the net proceeds of the Offering (see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Statement of Indebtedness and Contingent Liabilities — Inter-company items"). The Company's dividend policy is described in "Financial Information — Dividend Policy".

RISKS RELATING TO PRC TOLL ROAD SECTOR

The toll regime significantly impacts the Group's revenues and is regulated by government authorities

All toll rates for the Group's toll expressways are subject to the regulation of the relevant government authorities. Toll rates require approval by the Guangdong Provincial Price Bureau and the Guangdong Provincial Communications Bureau and the toll rates are based on vehicle classification and a stepped scale in multiples of the base charge for the smallest category of vehicles. For closed system expressways, toll rates are in the form of a rate per km travelled. The relevant JV Enterprise can propose or apply for rate changes. Factors taken into account by the Guangdong Provincial Price Bureau and the Guangdong Provincial Communications Bureau when setting toll rates or approving rate changes include traffic flow, construction costs of the expressways, prospective recovery period of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to end-users. While the Guangdong Provincial Price Bureau and the Guangdong Provincial Communications Bureau have in the past approved applications for toll rate increases made by the JV Enterprises, there can be no assurance that the Guangdong Provincial Price Bureau and the Guangdong Provincial Communications Bureau will approve a future request in a timely manner or at all or that the Guangdong Provincial Price Bureau and the Guangdong Provincial Communications Bureau or any other governmental authority will not at any time request a toll rate reduction.

Pursuant to a notice issued by the Guangdong Provincial Government in January, 1998, all vehicles which pass toll payment points on toll roads in Guangdong Province are required to pay tolls at the prescribed rates, except for certain exempted vehicles (which currently include military vehicles, fire engines, police vehicles, ambulances and hearses which are on duty, as well as vehicles which are exempted from paying road maintenance fees by the Guangdong Provincial Government). For the year ended 30 December, 2002, exempted vehicles constituted, in the aggregate, approximately 3.9% of all vehicles using the Group's toll expressways. There can be no assurance that categories or number of exempted vehicles will not increase such that toll receipts are materially adversely impacted.

Changes to the provincial government's transportation-related policies may impact the Group's revenues and earnings

The Group's operations, along with those of other toll road operators in the PRC, are sensitive to changes in the PRC Government's policies relating to all aspects of the transportation sector, for example, provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of highways in the PRC. There is no assurance that changes in such policies would not have an adverse effect on the revenue or results of operations of the Group.

Pursuant to a directive dated 23 April, 2003 issued by the Ministry of Communications, all toll roads in the PRC have to comply with the vehicle classification system set out in the directive (i.e. passenger vehicles are to be classified according to number of passenger seats and goods vehicles are to be classified according to tonnage). While this recent directive has no noticeable effect on the revenue or results of operations of the Group, there can be no assurance that future directives, notices or changes in the government's transportation-related policies would not have an adverse effect on the revenue or results of operations of the Group.

Proposed new toll collection arrangements have consequential risks and uncertainties

Proposals have been announced for the phased introduction in Guangdong Province of new toll collection arrangements aimed at increasing traffic efficiency on toll expressways in the province, which are expected to involve the introduction, in parallel with existing toll collection arrangements, of a provincial toll pass, and the establishment of non-stop toll lanes. See "The Road Projects — Guangzhou-Shenzhen Superhighway — Operations — Recent Developments". The Company expects that introduction of the new arrangements will involve capital expenditure on, among other things, adapting toll plazas to accommodate dedicated toll pass lanes as well as new computer-based systems to monitor usage and calculate toll entitlements. There is no assurance that the costs involved would not have an adverse impact on the Group's results of operations.

The proposals will also change the arrangements by which the JV Enterprises receive toll receipts in respect of vehicles using provincial toll passes. The details of the arrangements have yet to be finalised and, as such, there can be no certainty as to the consequences of such arrangements on the JV Enterprises, including without limitation the timing of payment of tolls collected by a new central collection agency to the JV Enterprises and related costs and charges. There can be no assurance that the Group's revenues and results of operations will not be adversely affected.

The Company expects to implement the proposals in 2004. Initial system errors and deficiencies may occur during implementation. There can be no assurance that any losses due to such errors and/or deficiencies would not have an adverse impact on the Group's financial condition and results of operations.

The imposition of restrictions or onerous requirements by governmental authorities could adversely affect the Group's Projects

The entitlements of the JV Enterprises to operate the Group's roads and to collect tolls are governed by the relevant JV Contract and depend on the concessions established by the JV Contracts. Each of the Group's JV Contracts has been approved by all appropriate PRC governmental authorities and each of the Group's PRC partners is a State-owned enterprise established with the authorisation of the relevant provincial or municipal government. For these reasons, the Company has no reason to consider it likely that the terms of any of the JV Contracts for the Projects will be altered at the instigation of governmental authorities without the Group's consent. However, there can be no assurance that such an event may not occur, and the imposition by governmental authorities of any onerous or adverse change to such arrangements could have an adverse effect on the Group's financial position and results of operations.

The Group's Projects form an integral part of the development of the highway network within the PRD. The development of this wider network involves, among other things, the construction of other roads which will connect to, and act as feeders for, the Group's expressways. Such new connections will typically serve to enhance traffic volume on the Group's expressways consistent with the Group's strategies. Since completion of the GS Superhighway, there have been a further four expressways subsequently connected to it. In each case, the GS Superhighway JV has been consulted in advance by the governmental authority having responsibility for the particular development, and terms satisfactory to the Group have been agreed for the allocation and sharing of costs of the inter-connection. However, there can be no guarantee that future connections to the Group's expressways, or other developments adjacent to or affecting the Group's expressways, will be carried out on a basis satisfactory to the Group. Accordingly, there can be no assurance that a future dispute, or inability to reach satisfactory agreement, with governmental authorities or other parties concerning any such new development could not have an adverse effect on the Group's financial position or results of operations.

RISKS RELATING TO THE PRC

Economic, political and social conditions, as well as government policies, in the PRC could affect the Group's results of operations

The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy and the PRC Government has been pursuing economic reform policies emphasising greater decentralisation and generally encouraging private economic activity for over a decade.

Although the Company believes that the overall effect of the economic reforms adopted by the PRC Government on the economic development of the PRC has been positive, there can be no assurance that such measures, or other policies to be adopted in the future, will be effective or consistently applied. Furthermore, some of these measures/policies benefit the overall economy of the PRC, but may also have a negative impact on the Group. For example, the Group's results of operations and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to the JV Enterprises or the Group.

The PRD has benefited from a range of special policies designed to encourage foreign investment. The rapid development of the PRD over the past 15 years has been in part due to large-scale foreign investment, especially from Hong Kong and Taiwan, and particularly in export-oriented manufacturing. No assurance can be given that the PRC Government will continue to pursue the special policies benefiting the PRD or that such policies may not be significantly altered. If any such change in policies were to occur which adversely affected the growth of the region, toll receipts from Projects, or the rate of growth in toll receipts, would also be adversely affected.

The PRC legal system has inherent uncertainties that may limit the legal protections available to the Group

The PRC Government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. There remain, however, material differences between the company, securities, investment and tax laws and regulations of the PRC and those of most Organisation for Economic Co-operation and Development ("OECD") countries. In addition, the PRC legal system is based on statutes, and court cases do not constitute binding precedents. As these laws, regulations and legal requirements are relatively new and because of the limited volume of published case law and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve uncertainties. These uncertainties could limit the legal protection or recourse available to the Group.

The preferential tax treatment applicable to the Projects may not continue

In order to encourage foreign investment in the PRC, certain Sino-foreign joint ventures, including the Group's JV Enterprises, have enjoyed preferential tax treatment in the past years. (See "The Road Projects — The Guangzhou-Shenzhen Superhighway — Taxation", "The Road Projects — The Guangzhou East-South-West Ring Road — Taxation" and "The Road Projects — Phase 1 West — Taxation"). No assurance can be given that the current policy in the PRC with respect to such preferential treatment will continue or that the existing preferential tax treatment enjoyed by the JV Enterprises will not be cancelled or unfavourably amended.

Government control of currency conversion may adversely affect the Group's operations and financial results

The JV Enterprises which operate the Group's toll expressways receive all of their revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to meet the JV Enterprises' own foreign currency obligations. These foreign currency-denominated obligations include:

- payment of interest and principal on foreign currency-denominated debt;
- payment of profit distributions to foreign joint venture partners as and when such profit distributions are, or may be, resolved to be made;

- repatriation of capital contribution to foreign joint venture partners of co-operative joint ventures; and
- payment of return on investment contributed by foreign joint venture partners.

Under the PRC's existing foreign exchange regulations, the JV Enterprises will be able to undertake current account foreign exchange transactions, including profit distribution payments, without prior approval from SAFE by complying with certain procedural requirements. However, there can be no assurance that the PRC Government will not impose more onerous procedural requirements in the future. The PRC Government has stated publicly that it intends to make Renminbi freely convertible in the future. However, uncertainty exists as to whether the PRC Government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in the PRC.

Foreign exchange transactions of a capital nature, including foreign currency-denominated borrowings from foreign lenders and principal payments in respect of foreign currency-denominated obligations to both Chinese and foreign lenders, continue to be subject to foreign exchange controls and require registration with and/or verification by SAFE. These limitations could affect the ability of the JV Enterprises to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures. Approval from SAFE for payment to the Group of accruing returns on its investment in GS Superhighway JV is also required, and SAFE has required that the GS JV Contract be amended before further payment of accruing returns may be made (such amendment has not yet been made or applied for). The Group's results of operations could be adversely affected if the JV Enterprises cannot obtain the required foreign currency in a timely manner due to these limitations on foreign exchange.

Fluctuation of the Renminbi could materially affect the Group's financial condition and results of operations

The JV Enterprises which operate the Group's toll expressways receive all of their revenues in Renminbi, and the financial statements and earnings of the JV Enterprises are expressed in Renminbi. The value of Renminbi fluctuates and is subject to changes in political and economic conditions in the PRC. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. This managed float has maintained relative stability for the official exchange rate for the conversion of Renminbi to U.S. dollars. Any changes in or removal of the managed float system may result in increased volatility and/or devaluation of the Renminbi. Any devaluation of the Renminbi would adversely affect the value of the JV Enterprises' revenues and earnings in foreign currency terms. Moreover, the financial condition and results of operations of the JV Enterprises and the Group may be adversely affected by changes in the value of certain currencies other than the Renminbi in which their financial and other obligations are denominated. In particular, devaluation of the Renminbi relative to the U.S. dollar and/or Hong Kong dollar could increase the portion of the cash flow of the JV Enterprises and the Group respectively which is required to satisfy obligations denominated in U.S. dollars and/or Hong Kong dollars (see "The JV Enterprises have significant borrowings and therefore the Group's financial performance could be affected by general economic conditions and factors" above).

RISKS RELATING TO THE OFFERING

The liquidity and price of the Shares following the Offering may be volatile

The price and trading volume of the Shares may be highly volatile. Factors such as variations in the Company's revenues, earnings and cashflows and proposals of new investments, strategic alliances and/or acquisitions, fluctuations in traffic volume and toll rates to fluctuations in prices for comparable companies could cause the price of the Shares to change. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that these developments will not occur in the future. In addition, as no public market for the Shares existed prior to the Offering, there can be no assurance that a liquid public market for the Shares will develop or be sustained after the Offering.

Future sales of substantial amounts of the Shares in the public market could adversely affect the price of the Shares

Hopewell has entered into an agreement restricting, among other things, the ability of Hopewell and other members of the Hopewell Group to sell Shares during the 12 months from the Listing Date (see "Underwriting — Underwriting Arrangements and Expenses — Undertakings"). No other shareholder or potential shareholder of the Company has entered into any similar agreement. In particular, Bank of China (Hong Kong) Limited has an option exercisable at any time during the period commencing on the Listing Date and ending on the date falling 36 months thereafter (both dates inclusive) to acquire from Hopewell Shares representing up to 5% of the existing issued share capital of the Company at the Listing Date (see "Substantial Shareholders — BOC Option"). The sale of substantial amounts of Shares in the public market by any one or more shareholders could have a material adverse effect on the price of the Shares.

Certain statistics are derived from publications not independently verified by the Group, the Underwriters or their respective advisors

Facts and statistics in this prospectus relating to the PRC's economy and its transportation sector are derived from available publications. Whilst the Directors have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by the Company, the Underwriters or their respective advisors and, therefore, the Company makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be possible deviation in the actual use of proceeds from the Offering from the intended use

The intended use of the proceeds from the Offering is set out under the section headed "Use of Proceeds". It is the Directors' current intention to apply the net proceeds from the Offering in the manner described in such section. However, as new business opportunities arise or as unforeseen events occur, the Directors may (if they consider it to be in the best interests of the Group) reallocate all or part of the net proceeds to other business plans or new projects or to other uses or hold such funds in bank accounts or with financial institutions or as other treasury instruments. As a consequence, the actual application of the proceeds from the Offering may deviate from the intended use as described in this prospectus. The Company will issue an announcement and make disclosure in its annual report for the relevant year in the event there is a material deviation in the use of the Offering proceeds from the intended use as described in this prospectus.

Forward-looking statements contained in this prospectus may not be fulfilled

This prospectus contains forward-looking statements, including statements regarding, among other items:

- the Group's business and operating strategies;
- the Group's capital expenditure plans;

- the Group's operations and business prospects;
- the Group's financial condition and results of operations;
- the industry regulatory environment as well as the industry outlook generally; and
- future developments in the transportation industry in the PRC.

The words "anticipate", "believe", "could", "estimate", "forecast", "project", "expect", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to the Group, are intended to identify a number of these forward-looking statements.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the Group's control. In addition, these forward-looking statements reflect the Company's current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors including, but not limited to, the risk factors set forth in this "Risk Factors" section and the following:

- any changes in the Ministry of Communications' policies in relation to provincial and municipal highway networks, transfers of operating rights, toll rates and the planning, development, construction and management aspects of highways in the PRC;
- any changes in the regulatory policies of the PRC Government, the Guangdong Provincial Government and other relevant government authorities relating to, among other things, joint venture arrangements and capital investment priorities;
- the effects of competition on the demand for and change in toll rates of the Projects;
- the development of new routes affecting the Group's current and future business;
- changes in political, economic, legal and social conditions in the PRC, including the PRC Government's specific policies with respect to economic growth, inflation, foreign exchange, institutional lending policies and the availability of credit; and
- changes in population growth and GDP growth and the impact of those changes on the demand for the Projects.

Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the Company expects, or at all. Accordingly, investors should not place undue reliance on any forward-looking information.

Assumptions relied on by independent consultants and experts may not be accurate

FPD has been engaged as the independent business valuer to prepare a business valuation, and Parsons Brinckerhoff has been engaged as the independent traffic consultant to conduct an independent traffic and revenue study for the Group's roads. See "Appendix V — Business Valuation" and "Appendix VI — Traffic Consultant's Report". The respective business valuation by FPD and traffic and revenue projections of the Group's toll expressways by Parsons Brinckerhoff were prepared using such analytical methods and models as were considered appropriate by FPD and Parsons Brinckerhoff. FPD's valuation and Parsons Brinckerhoff's projections were based on, among other things, certain assumptions regarding sociological, demographical and economic trends in Guangdong Province and the PRD. Specifically, FPD's valuation applies the income approach technique known as the discounted cash flow method, under which a present value is arrived at by discounting anticipated future cash flows at market-driven required rates of return considered to be appropriate for the risks and hazards of the business. The required rates of return applied in the business valuation in respect of each of the GS Superhighway Project, Guangzhou E-S-W Ring Road Project and the Phase 1 West Project were 11.5%, 11.5% and 13.2% respectively. There can be no assurance that assumptions used in developing such projections, which include the absence of any adverse regulatory actions by the PRC Government, completion of new connections and market acceptance of the toll rate levels, will prove to be accurate or that the discount rates adopted by FPD will be representative of returns from comparable or alternative forms of investment over the period or periods concerned.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance and the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this prospectus misleading; and

(c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer. For applicants under the Public Offer, this prospectus and the **WHITE** and **YELLOW** application forms set out the terms and conditions of the Public Offer.

The Public Offer is part of the Offering which comprises the Public Offer of initially 72,000,000 Public Offer Shares and the International Offer of initially 648,000,000 International Offer Shares.

The Public Offer is sponsored by Citigroup, and is fully underwritten by the Public Offer Underwriters. The International Offer is managed by Citigroup and is expected to be fully underwritten by the International Underwriters.

If, for any reason, the Offer Price is not agreed between Citigroup (on behalf of the Underwriters) and the Company, the Offering will not proceed.

SELLING RESTRICTIONS

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus to the public in any jurisdiction other than in Hong Kong and, solely in connection with the Japanese public offer without listing, Japan. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Public Offer to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Underwriters, any of their respective directors or any other person involved in the Offering.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are not being offered or sold in the United States except through certain of the Underwriters only to qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act ("Rule 144A"), in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. Subsequent transfers will also be limited.

The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offer of Offer Shares, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

The Offer Shares may not be offered or sold and, prior to the expiry of a period of six months from the date on which dealings in the Shares commence on the Stock Exchange, may not be offered or sold in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Offer Shares except in circumstances in which section 21(1) of the FSMA does not apply to the Company.

Singapore

This prospectus has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and the Offer Shares will be offered in Singapore pursuant to an exemption invoked under section 274 and section 275 of the Securities and Futures Act 2001, Chapter 289 of Singapore (the "SFA"). Accordingly, the Offer Shares may not be offered or sold or be made the subject of an invitation for subscription or purchase nor may this prospectus nor any document or other material in connection with the Offering be issued, circulated or distributed, either directly or indirectly, to the public or any member of the public in Singapore, other than (i) to an institutional investor or other person specified in section 274 of the SFA, (ii) to a sophisticated investor, and in accordance with the conditions, specified in section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any applicable provisions of the SFA.

Japan

It is expected that a public offering without listing of the Offer Shares will be made in Japan. The Offer Shares will not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Securities and Exchange Law of Japan and all other applicable laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

France

This prospectus is not being distributed in the context of a public offer in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code, and has not been submitted to the *Commission des Opérations de Bourse* for prior approval. This prospectus is not to be further distributed or reproduced (in whole or in part) by its recipients and has been distributed on the undertaking that such recipients will only participate in the issue or sale of the Offer Shares for their own account and undertake not to transfer, directly or indirectly, the Offer Shares to the public in France, other than in each case in compliance with applicable laws and regulations. The Offer Shares may not be offered or sold, directly or indirectly, to the public in France, and copies of this prospectus or any other offering material relating to the Offer Shares may not be distributed or caused to be distributed to the public in France. Any offers, sales and distributions have only been and shall only be made in France to qualified investors *(investisseurs qualifiés)* as defined in and in accordance with Article L. 411-2 of the French Monetary and Financial Code and Decree no. 98-880 dated 1 October, 1998.

Netherlands

The Offer Shares may not be offered, sold, transferred or delivered, directly or indirectly, in the Netherlands, as part of their initial distribution or as part of any re-offering, and neither this prospectus nor any other document in respect of the Offering may be distributed or circulated in the Netherlands, other than to persons who trade or invest in securities in the conduct of a profession or business (which include, without limitation, banks, stockbrokers, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises).

Italy

The offering of the Offer Shares has not been cleared by CONSOB (the Italian securities exchange commission) pursuant to Italian securities legislation and, accordingly, no Offer Shares may be offered, sold or delivered, nor may copies of this prospectus or of any other document relating to the Offer Shares be distributed in the Republic of Italy, except (i) to professional investors *(operatori qualificati)*, as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended, (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended or (iii) to an Italian resident who submits an unsolicited offer to purchase the Offer Shares. Any offer, sale or delivery of the Offer Shares or distribution of copies of this prospectus or any other document relating to the Offer Shares in the Republic of Italy under (i) or (ii) above must be (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September, 1993 (the "Banking Act"), (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy and (c) in compliance with any other applicable laws and regulations.

Cayman Islands

No offer of Offer Shares may be made to the public in the Cayman Islands.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Offering, and any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon exercise of options granted under the Share Option Scheme, and the Warrants and any Shares which fall to be issued upon the exercise of the subscription rights attaching to the Warrants. No part of the share or loan capital of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Any allotment made in respect of any application will be void if permission for listing of, and dealing in, the Shares on the Stock Exchange has been refused before the expiration of three weeks from 31 July, 2003 (being the date of closing of the application lists for the Public Offer), or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

ELIGIBILITY FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares and the Warrants on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares and the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares and the Warrants on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares and the Warrants to be admitted into CCASS.

HONG KONG REGISTER

All Shares issued pursuant to applications made in the Offering, and all the Warrants, will upon listing be registered on the Company's branch register of members, and its register of warrantholders, to be maintained in Hong Kong. The Company's principal register of members will be maintained in the Cayman Islands. Only shares registered on the Company's branch register of members maintained in Hong Kong, and the Warrants registered on the register of warrantholders maintained in Hong Kong, may be traded on the Stock Exchange.

STAMP DUTY

All the Offer Shares will be registered on the Hong Kong register of members of the Company and the Warrants will upon listing be registered on the register of warrantholders maintained in Hong Kong. Dealings in Shares and Warrants registered on the Hong Kong register of members and the register of warrantholders will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Persons who are unsure about the taxation implications of the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares and/or the Warrants should consult an expert.

The Company, the Directors, the Underwriters and any other person involved in the Offering do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, or purchase, holding or disposal of, or dealing in or the exercise of any rights in relation to, the Offer Shares or the Warrants.

STABILIZATION AND OVER-ALLOTMENT

In connection with the Offering, Citigroup, on behalf of the International Underwriters, or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on Citigroup or any person acting for it to do this. Such stabilizing action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

In connection with the Offering, the Company intends to grant to Citigroup, on behalf of the International Underwriters, the Over-allotment Option which will be exercisable by Citigroup on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement up to the date which is the 30th day after the last date for lodging application forms under the Public

Offer. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 108,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Offering, in connection with over-allocations in the International Offer, if any, and other stabilizing action in respect of the Shares.

Further details with respect to stabilization and the Over-allotment Option are set out under "Structure of the Offering — Over-allotment Option and Stabilization".

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out under "How to apply for Public Offer Shares", "Further Terms and Conditions of the Public Offer", and the relevant application forms.

The Company and/or Citigroup will have full discretion to reject any application for Public Offer Shares in full or in part.

CONDITIONS OF THE PUBLIC OFFER

Details of the conditions of the Public Offer are set out under "Structure of the Offering — Conditions of the Public Offer".

STRUCTURE OF THE OFFERING

Details of the structure of the Offering are set out under the section headed "Structure of the Offering".

EXCHANGE RATE CONVERSION

Solely for convenience, this prospectus contains translations of certain Renminbi amounts into U.S. dollars and Hong Kong dollars. Unless otherwise indicated, such translations have been made at rates of US$1.00 = RMB8.28 and HK$1.00 = RMB1.06, being the People's Bank of China ("PBOC") rates prevailing on 30 April, 2003.

These translations are provided by way of illustration only and no representation is made, and none should be construed as being made, that the Renminbi amounts set out in this prospectus could be or could have been converted into U.S. dollars or Hong Kong dollars, as the case may be, at any particular rate on the date or dates in question or any other date.

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Eddie Ping Chang HO, *Vice Chairman*	2B Hollywood Heights No. 6 Old Peak Road Hong Kong	British
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	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

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Company secretary	Peter Yip Wah LEE, B.A., Solicitor
Audit committee	Philip Tsung Cheng FEI Lee Yick NAM Kojiro NAKAHARA
Authorised representatives	Thomas Jefferson WU Christopher Shih Ming IP
Hong Kong share and warrant registrar and transfer office	Computershare Hong Kong Investor Services Limited Rooms 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
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 British West Indies

Principal bankers	Bank of China Guangdong Branch 3/F West Tower Guangzhou International Financial Building 197 Dong Feng Xi Lu Guangzhou Guangdong, PRC
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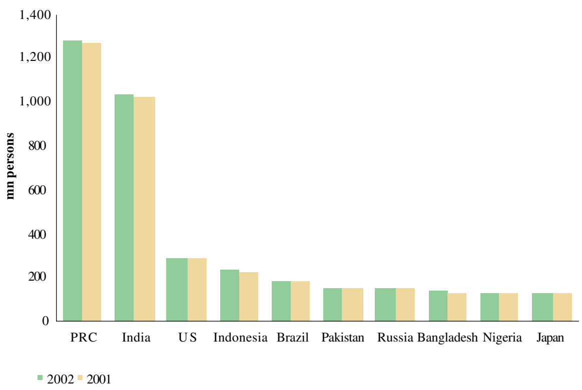
The information in this section is derived from a combination of official government publications and other publicly available materials, and various unofficial publications and sources of information. It has not been independently verified by the Company, the Sponsor, the Underwriters or their respective legal or financial advisers and no representation is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources.

THE PRC AND GUANGDONG PROVINCE

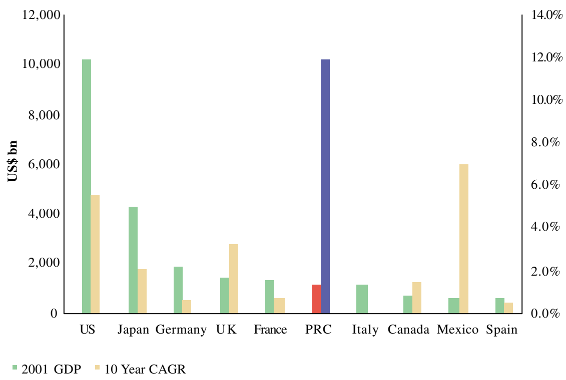
The PRC

The PRC is the world's most populous country with a population of nearly 1.3 billion in 2001. With the implementation of the open door and economic reform policies in 1978, the PRC has become the sixth largest economy in the world with a GDP of approximately RMB9.6 trillion (US$1.2 trillion) and per capita GDP of approximately RMB7,543.0 (US$911.0) in 2001, achieving an average GDP growth of approximately 15.3% per annum over the period from 1978 to 2001. According to Economic Intelligence Unit, the GDP of the PRC is forecast to grow 7.0% and 7.7% in 2003 and 2004, respectively.

Top 10 Countries by Population



Top 10 Countries by GDP

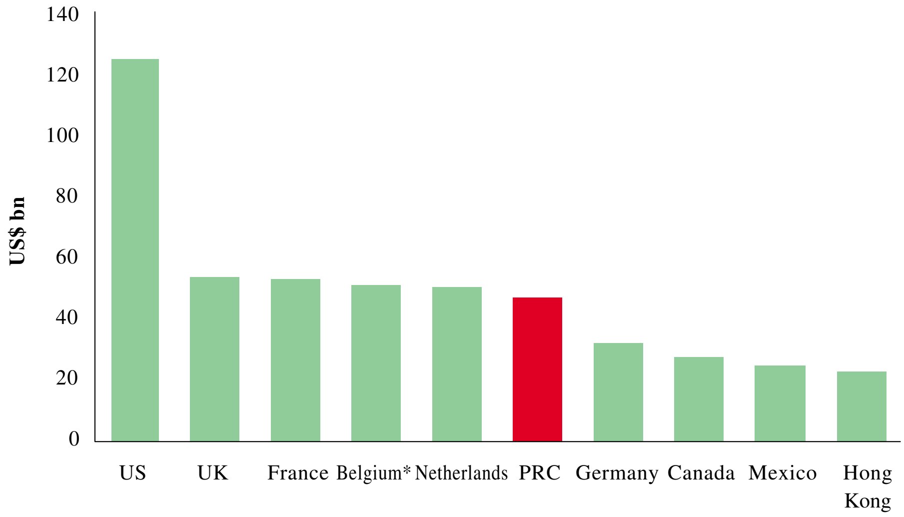


Consistent with its commitment to move to a more market-oriented economy, the PRC implemented economic reforms which ultimately resulted in its accession to the World Trade Organization ("WTO") in December 2001. Entry into the WTO required the PRC, among other things, to reduce customs duties, liberalise trade and investment and open itself to foreign competition into domestic market over the long term.

These measures will stimulate foreign trade including foreign direct investment ("FDI") and exports. FDI in 2001 amounted to US$46.9 billion, representing a ten-year compound growth rate of 26.8%. With respect to exports, the PRC recorded US$266.1 billion in goods and services exported in 2001 and US$232.6 billion for the six months ended 30 June, 2002.

The following chart shows the top ten recipient countries for FDI in 2001:

Top 10 Countries by FDI Inflow



* Includes Luxembourg

The PRC's Tenth Five-Year Plan projected continued economic growth, with average annual economic growth expected to be around 7.0%, with GDP reaching around RMB12.5 trillion (US$1.5 trillion) by 2005 based on 2000 price levels. Per-capita GDP is expected to reach RMB9,400.0 (US$1,135.3).

The significant growth experienced in the PRC has also triggered the development of its transportation infrastructure.

Guangdong Province

Located in the southernmost part of the country, Guangdong Province is one of the most industrialised and affluent provinces in the PRC. Its capital city, Guangzhou, is the third largest city in the PRC in terms of GDP. Three of the five Special Economic Zones ("SEZ") in the PRC, namely, the Shenzhen SEZ, the Shantou SEZ and the Zhuhai SEZ, are situated in Guangdong Province.

With a population of 77.8 million (6.1% of the PRC's total population), Guangdong Province is one of the most densely populated provinces in the PRC. Its GDP (RMB1.1 trillion or US$128.6 billion) in 2001 was the highest among all the provinces and accounted for 11.1% of the national total. The ten-year compound annual growth rate from 1991 was 18.9%. In addition, Guangdong accounted for 14.7%, 12.0% and 25.0% respectively of the PRC's total industrial output, retail sales and tourist income for 2001. It ranked third in the PRC in terms of total length of highway within the province. Guangdong's total highway length grew from 54,671 km in 1990 to 104,799 km at the end of 2001.

With the changes brought about by the PRC's open-door and reform policies, Guangdong has registered significant growth in foreign trade and exports. FDI totalled US$11.9 billion in 2001 which represented approximately 25.4% of the total FDI of the country and was the highest among all provinces in the PRC. Guangdong's share of the national total exports was 35.9% or US$95.4 billion.

According to the Guangdong Province Tenth Five-Year Plan which covers the period 2001-2005, the government of Guangdong Province aims to achieve, among others, the targets set out in the following table:

	Targeted Compound Annual Growth Rate
1. GDP	9.0%
2. GDP per capita	7.7%
3. Investment in fixed assets	8.0%
4. Exports	8.5%
5. Retail Sales of Consumer Goods	12.5%

Source: Development Planning Commission of Guangdong Province

The Pearl River Delta

The PRD, which lies at the mouth of the Pearl River Estuary in the southern part of Guangdong Province, has an area of approximately 41,698 sq. km and a population of over 23 million in 2001. The PRD covers 14 cities and counties including major cities such as Guangzhou, Shenzhen, Foshan, Zhuhai, Dongguan, Jiangmen, Zhongshan, Huizhou and Zhaoqing. The region has rapidly become one of the world's most important centres of industrial output and is continuing to grow. According to the China Statistical Yearbook 2002 and Guangdong Statistical Yearbook 2002, this region accounted for 78.6% and 8.7% of Guangdong's and the PRC's GDP, respectively. The region is currently attracting approximately one-quarter of FDI in the PRC and generating around one-third of the PRC's exports. More than half of the Fortune 500 companies have invested in the PRD.

Major industries within the PRD include the following:

	City/Municipality						
Major Industries	**Guangzhou**	**Shenzhen**	**Zhuhai**	**Foshan**	**Zhongshan**	**Dongguan**	**Jiangmen**
Auto	√						
Auto parts	√						
Bio-medical	√	√	√	√			
Ceramics				√			
Chemicals	√				√		
Electrical appliances	√			√			
Electronics	√	√	√	√	√	√	
Financial services	√	√					
Furniture				√		√	
Garments	√			√	√	√	√
Information technologies		√				√	
Jewelry	√						
Lighting fixtures					√		
Logistics		√					
Materials				√			
Metalwork					√		
Petrochemicals			√				
Software	√		√				
Telecommunications		√				√	
Textiles	√			√	√	√	√
Toys		√					
Transportation equipment	√	√					
Watches and timepiece		√				√	

Source: Guangdong Statistical Yearbook 2002 and the Public Network of Guangdong Government

The following table sets out the population and key economic indicators of the PRC, Guangdong Province, the PRD and major cities in the region in 2001:

Location	Population	GDP	Growth	Investment in Fixed Assets	Growth	Utilised Foreign Capitals[1]	Growth	Industrial Output[2]	Growth	Retail Sales of Consumer Goods	Growth
	(million persons)	(RMB billion)	(%)	(RMB billion)	(%)	(US$ billion)	(%)	(RMB billion)	(%)	(RMB billion)	(%)
The PRC	1,271.1	9,593.3	7.3	3,721.1	13.1	49.7	(16.3)	9,544.9	11.4	3,759.5	10.1
Guangdong	77.8	1,064.8	10.2	353.6	9.4	15.8	8.2	1,403.5	12.5	451.5	10.9
Guangdong/PRC	6.1%	11.1%	NA	9.5%	NA	31.7%	NA	14.7%	NA	12.0%	NA
PRD	23.3	836.4	13.4	256.7	12.0	14.2	13.2	1,201.2	13.6	312.0	12.2
PRD/Guangdong	30.0%	78.6%	NA	72.6%	NA	90.1%	NA	85.6%	NA	69.1%	NA
PRD/PRC	1.8%	8.7%	NA	6.9%	NA	28.6%	NA	12.6%	NA	8.3%	NA
Guangzhou	7.1	268.6	13.0	97.3	5.3	3.3	6.8	282.9	17.7	124.4	11.0
Shenzhen	1.3	195.5	17.4	71.7	5.8	3.6	21.4	308.0	14.0	60.9	13.2
Foshan	3.4	106.8	11.6	23.8	19.7	1.0	17.9	178.2	3.4	37.5	11.1
Jiangmen	3.8	61.5	8.4	10.9	4.3	0.8	5.3	94.4	(7.1)	22.3	11.4
Dongguan	1.5	57.9	17.5	12.6	22.0	1.8	6.1	104.0	33.1	19.6	15.6
Zhuhai	0.8	36.7	11.0	10.5	10.3	1.2	16.0	66.2	(18.0)	12.8	11.5
Zhongshan	1.3	36.3	15.9	17.8	61.9	0.7	10.0	68.4	10.7	12.0	12.0

Notes:

(1) Include FDI, foreign loans, and other foreign investments

(2) Include only industrial enterprises with over RMB5 million annual sales.

Source: China Statistical Yearbook 2002 and Guangdong Statistical Yearbook 2002

The PRD, with its close proximity to Hong Kong, has benefited from the latter's investments in Guangdong which represented 54.6% of foreign capital utilised in the province in 2001. The PRD offers an attractive alternative to Hong Kong as a production base because of its low production costs.

Hong Kong companies have long been the PRD's major investors in industries including the technology, textile, toy and real estate industries. Hong Kong accounted for 22.0% of the total imports and exports of Guangdong Province in 2001, making it the largest trading partner of the province. The recent decision by both governments to relax immigration and customs clearing at the border between Shenzhen and Hong Kong should further facilitate economic, social, and cultural integration of the two adjacent cities as well as the whole PRD. In the HKSAR Government's fiscal year ended 31 March, 2002, cross border traffic between the two cities reached 109 million by land, making it one of the busiest border crossings in the world. This traffic was expected to increase as a consequence of the implementation of the 24 hour open border policy in January 2003.

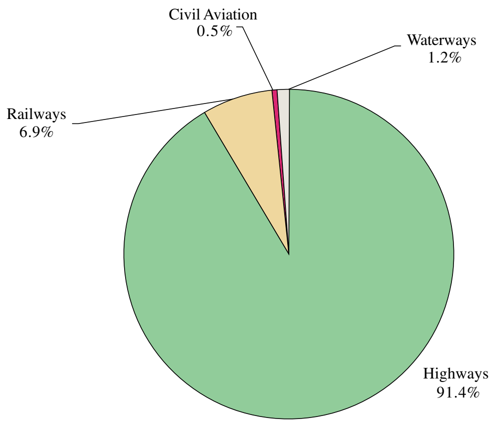
HIGHWAY TRANSPORTATION IN THE PRC

Overview

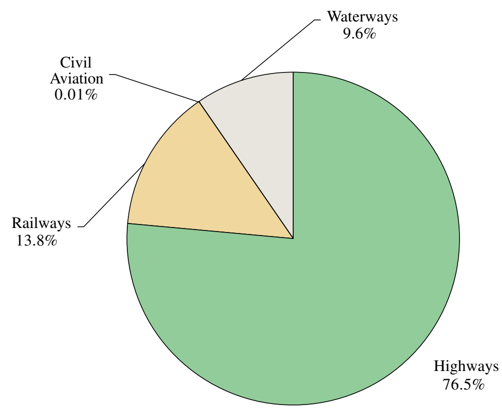
Significant growth was witnessed in all modes of transportation in the PRC over the past two decades. Among the various modes of transportation, highways offer the most flexibility for both local and long haul transportation and for both passenger and freight traffic.

Despite the growth in the various modes of transportation, highways continue to handle most of the PRC's passenger and freight traffic. In the China Statistical Yearbook, passenger and freight traffic are measured separately in terms of passenger journeys and tons of goods.

The PRC's Passenger Traffic Mix 2001
Total = 15.3 billion persons



The PRC's Freight Traffic Mix 2001
Total = 13.8 billion tons



Source: *China Statistical Yearbook 2002*

Road Classification in the PRC

According to the PRC's Ministry of Communications, roads are classified according to the description below:

Road classification and standards in the PRC

	Expressways	Class 1	Class 2	Class 3	Class 4
Maximum design speed level (km/hour)	120	100	80	60	40
Minimum number of road lanes (both directions combined)	4	4	2	2	1
Minimum width of road lane (meters)	3.5	3.5	3.5	3.0	3.0
Minimum width of foundation (meters)	22.5	22.5	8.5	7.5	6.5
Surface grade *(Note)*	Top	Top	Top/ Secondary	Secondary/ Medium	Medium/ Low

Note: The different grades of road surface are as follows:

Road surface grading	Specifications
Top	(1) Asphalt concrete
	(2) Cement concrete
Secondary	(1) Asphalt penetration
	(2) Asphalt macadam
	(3) Asphalt Surface treatment
Medium	(1) Aggregate or gravel (mixed with clay or other materials depending on road category)
	(2) Crushed rock
	(3) Other kinds of pebble
Low	(1) Strengthened pebble
	(2) Other strengthened or modified materials

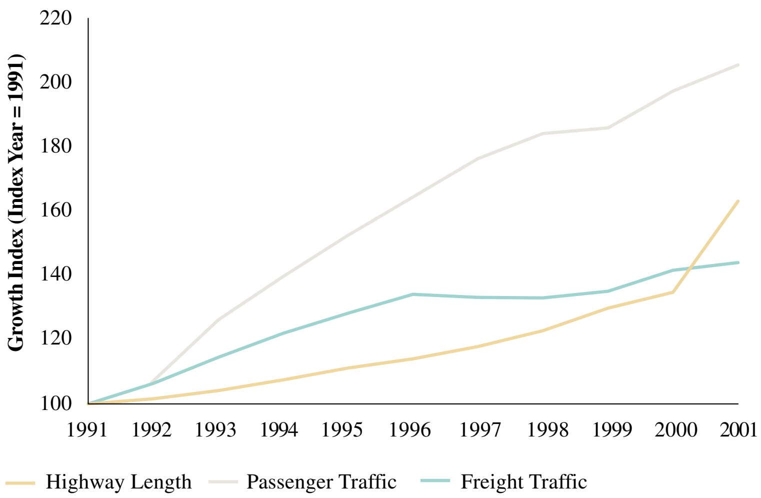
Source: PRC Industry Standard JTJ 001-97 Technical Standard of Highway Engineering issued by the Ministry of Communications, effective as of 1 January, 1998

At the end of 2001, there were 1,698,012 km of highway in the PRC of which 19,437 km were expressways which represented only 1.1% of total highway length.

Industry Growth

Highways, as the preferred means of transportation, continue to grow in length with the growing passenger and freight traffic. From 1991 to 2001, the PRC saw compound annual growth in highway length of approximately 5.0% while the growth rates for highway passenger traffic and freight traffic were 7.5% and 3.7%, respectively. The following shows the growth of highway length, highway passenger traffic and highway freight traffic over the 1991-2001 period, indexed to 1991's data:

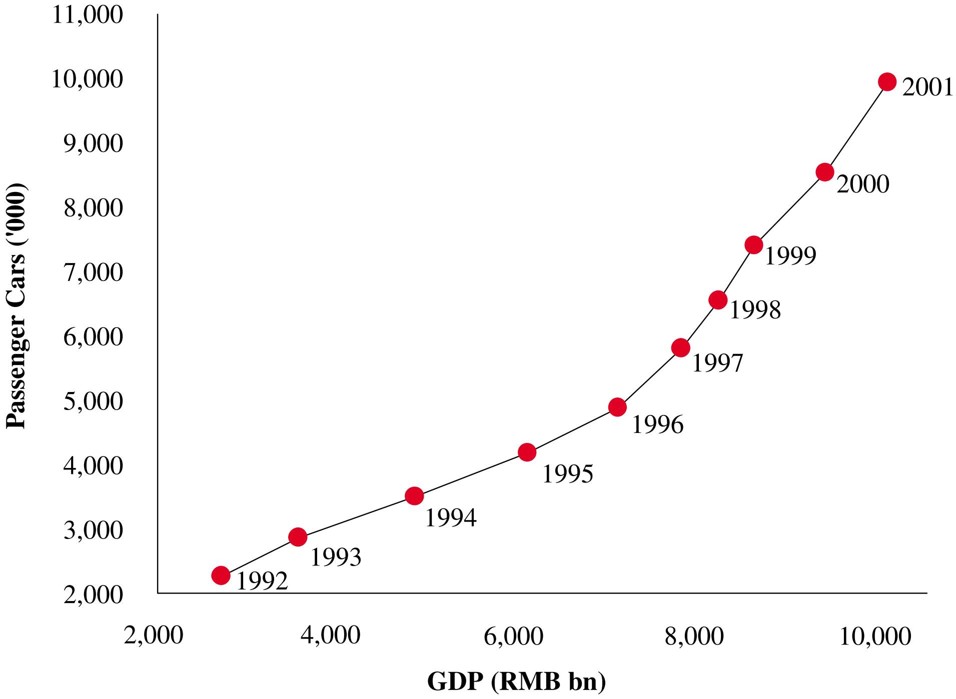
The PRC's Growth in Highway Length and Highway Traffic 1991-2001



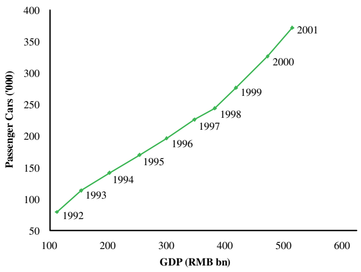
Source: China Statistical Yearbook

Despite the growth, there is still ample room for highway development. The development of the highway transportation industry depends mainly on the building of highway infrastructure and road usage as driven by car ownership. As the PRC economy grows, per capita income has become higher. The more affluent population can afford to buy more cars.

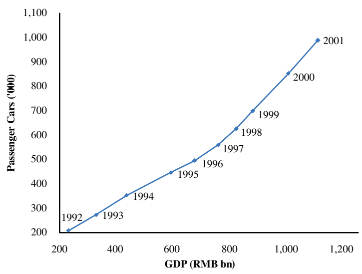
PRC Passenger Car Ownership vs. GDP



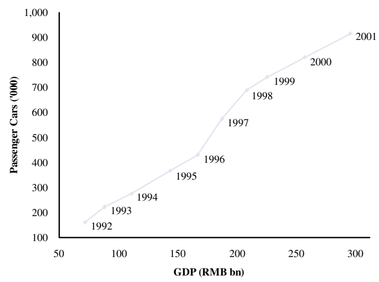
Shanghai



Guangdong



Beijing

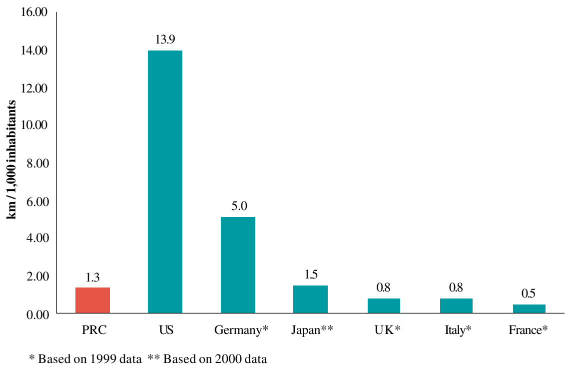


Source: China Statistical Yearbook

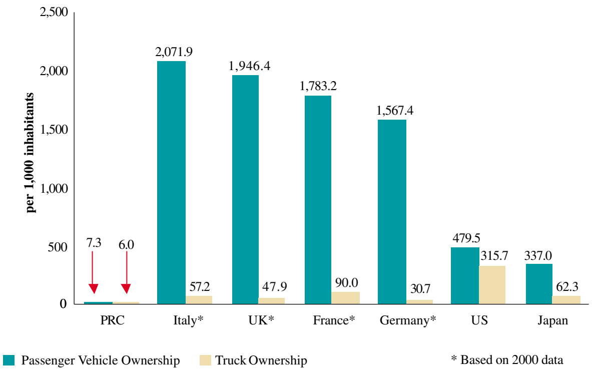
Current Industry Situation and Trends

By comparison with other developed countries, the PRC's highway industry is far from saturated. The PRC lags behind the U.S., Germany and Japan in terms of highway length available to residents. The low vehicle ownership rate, coupled with increasing income level, means that there is ample room for vehicle ownership to rise. In fact, according to the China Automotive Technology & Research Center, there are approximately seven million families in the PRC capable of purchasing cars and the number is expected to rise to 40 million by 2005, making the PRC one of the largest auto markets in the world.

Highway Length Comparison



Vehicle Ownership Comparison



Sources: China Statistical Yearbook 2002, Japan Statistical Yearbook 2002, US Department of Transportation

The need for more highways is further supported by the PRC's WTO accession and the resultant economic boost which is expected:

- **Stimulus to economic activity**

  The economic activities stimulated by WTO entry are expected to generate the need for more transportation facilities.

- **Increased affordability of vehicles**

  The increasing affluence level of citizens in the PRC should allow more disposable income for durable goods like cars. Furthermore, under WTO requirements, tariff on imported cars has been reduced from 70.0-80.0% of purchase price to 43.8-50.7%. The PRC has the obligation to further decrease tariff to 25.0% by the end of 2007.

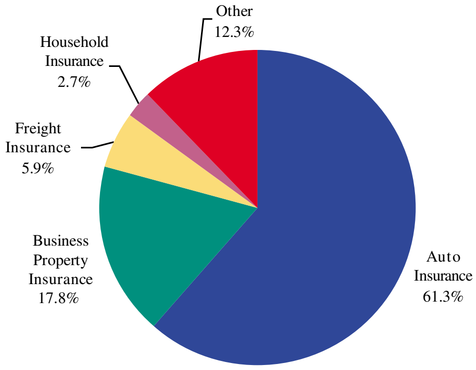
- **Wider access to auto-financing**

  More commercial banks have started to target at personal finance and people are more used to car loans. Many commercial banks in the PRC have reduced the thresholds of auto financing.

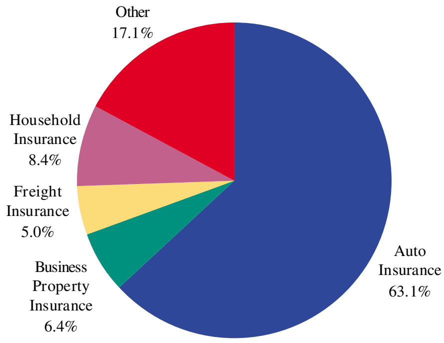
- **Lower cost of insurance**

  However, due to intensifying competition resulted from WTO, auto insurance costs have been coming down. This made cars more affordable.

Property Insurance Premium Breakdown 2001 Total = RMB68.8bn



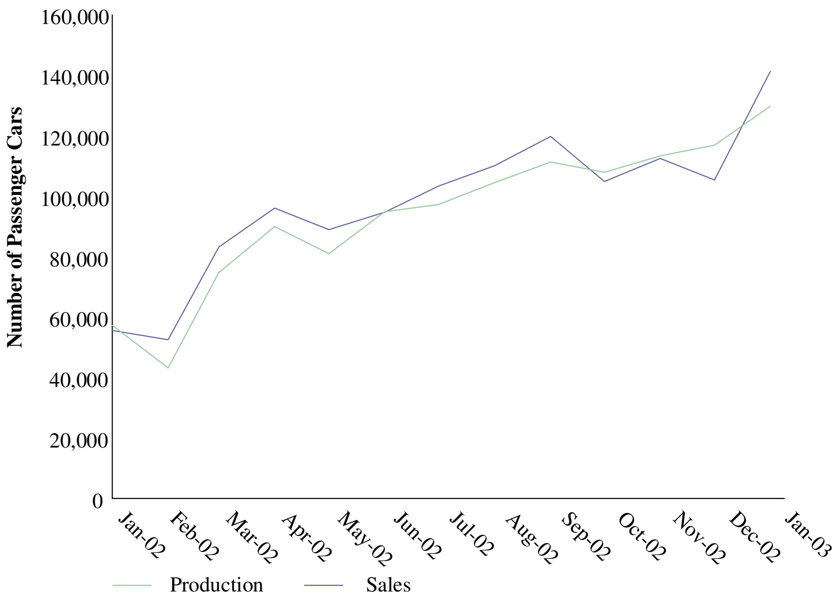
2001 Increase in Property Insurance Premium over 2000 Total Increase = RMB7.8bn



Source: 2002 Yearbook of China's Insurance

The positive impact has already been demonstrated by the persistent increase in passenger car production and sales as illustrated below.

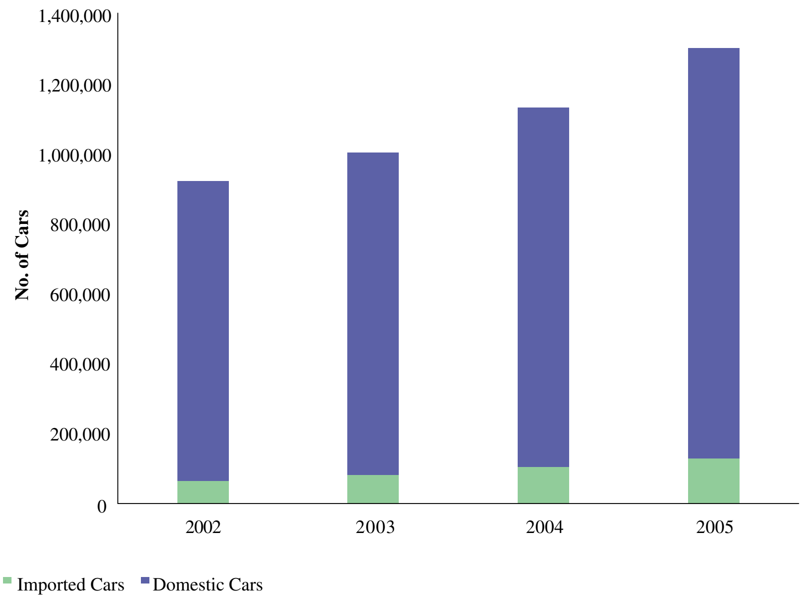
PRC Passenger Car Production and Sales



Source: China Auto by China Automotive Technology & Research Centre

The China Automotive Technology & Research Center has also forecast car sales to continue rising as follows:

Forecast of Passenger Car Sales in the PRC



Source: China Auto by The China Automotive Technology & Research Center

Present demand, coupled with the expected rise in vehicle ownership resulting from the PRC's WTO accession, translates into the need for more highways.

In addition, the government is taking an active role in the development of a national transportation system of which highway infrastructure is a key component.

The Tenth Five-year Plan

One of the major targets of the Ninth Five-Year Plan (1996-2000) in terms of development of road network was the construction of a "National Trunk Highway System" which formed the principal part of the national highway network and would be an important part of the national transportation system. The Tenth Five-Year Plan (2001-2005) continues to emphasise the development of a national highway network and sets the target of building a total of 1.6 million km of public highways by 2005 out of which 25,000 km would be expressways. Achieving the target means doubling the scale of the existing highway system.

During the Tenth Five-Year Plan period, the construction of the transportation system will be subject to unified planning and rational arrangement with a view to expanding the transportation network, optimising the transportation structure, completing the transportation system, advancing reform, and establishing an unimpeded, safe and convenient modern comprehensive transportation system. The construction of the national highway network will be expedited with the focus on five north-south and seven east-west trunk highways and the highway development in the less-developed western region.

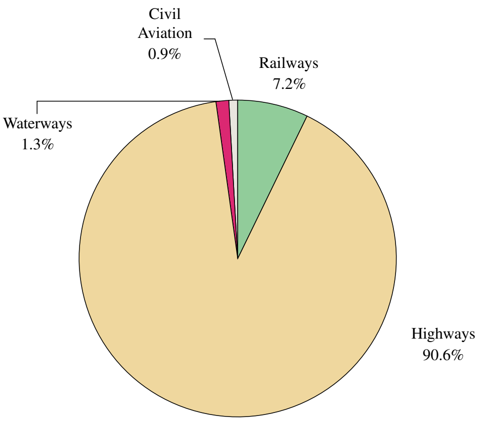
HIGHWAY TRANSPORTATION IN GUANGDONG PROVINCE AND THE PRD

Guangdong Province

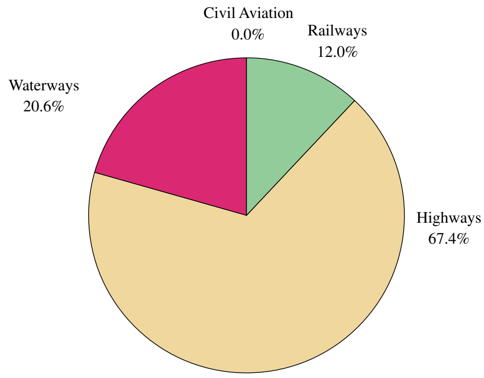
As one of the dominant economic centres of the PRC, Guangdong's highway infrastructure is among the most extensive in the country. It ranked third in terms of highway length in 2001 with 104,798 km of highways within its boundary, accounting for 6.2% of the national total.

Highway transportation has been the predominant mode of transportation in Guangdong.

Passenger Traffic 2001
Total = 1.8 billion persons



Freight Traffic 2001
Total = 1.3 billion tons



Source: Guangdong Statistical Yearbook 2002

However, Guangdong's highway development mirrors that of the country. Although the rate of highway growth in Guangdong has exceeded that of the overall PRC, traffic volume in the province has grown even faster. Highway length in Guangdong grew at a compound annual growth rate of 6.1% from 1990 to 2001 versus 4.7% for the PRC. During the same period, highway passenger traffic increased 7.8% per year on the average with total volume of 1.6 billion persons in 2001. Highway freight traffic in Guangdong increased at an average rate of 2.8% per year for the same period. With 865.6 million tons handled in 2001, Guangdong is one of the busiest provinces with respect to highway freight traffic.

With the highest GDP in the PRC and a relatively developed highway infrastructure, Guangdong also has the highest passenger vehicle and truck ownership within its jurisdiction. In 2001, there were approximately 990,500 passenger vehicles and 878,891 trucks owned in Guangdong which accounted for 10.0% and 11.9% of the respective PRC totals. The compound annual growth from 1990 to 2001 in vehicle ownership - 18.9% for passenger vehicles and 12.2% for trucks, also exceeded the country's 17.9% and 6.9% rates for the respective vehicle types.

The PRD

As the PRD is the heart of Guangdong, provincial strategy formulation and planning evolves around it. Highway infrastructure development is of no exception. While the region is currently served by the major highways in the province with the GS Superhighway functioning as a North-South traffic corridor on the eastern bank of the PRD, further development of an extensive network is needed to improve transportation conditions between major cities. Such a system could also facilitate the PRD's linkage with adjacent cities and provinces and more importantly, Hong Kong. The highway network in the PRD, therefore, is the transportation hub from which additional highway links could be built to enhance the region's integration and outward connections. The following illustrates the highway condition in major cities in the PRD:

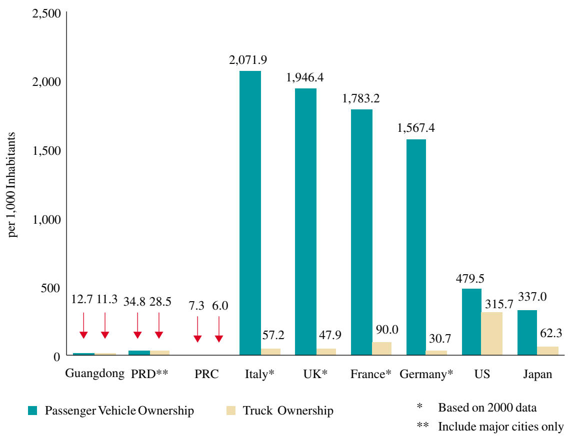
City/Municipality	No. of Vehicles		No. of Trucks		Highway Length	
	Total	per 1,000 Inhabitants	Total	per 1,000 Inhabitants	Total (km)	km per 1,000 Inhabitants
Guangzhou	263,411	40.0	154,118	21.6	5,095	0.7
Shenzhen	215,380	163.1	102,889	77.9	1,137	0.9
Foshan	92,199	27.5	137,354	40.9	3,881	1.2
Jiangmen	43,262	11.4	45,907	12.1	4,015	1.1
Dongguan	53,405	34.7	90,001	58.5	2,464	1.6
Zhuhai	36,514	48.1	23,731	31.3	1,025	1.4
Zhongshan	45,688	33.9	49,044	36.4	983	0.7

Source: Guangdong Statistical Yearbook 2002

Current Industry Situation and Trends

As in the case of the PRC, vehicle ownership in Guangdong and the PRD shows very low penetration compared to the developed countries:

Vehicle Ownership per 1,000 Inhabitants



Sources: China Statistical Yearbook 2002, Japan Statistical Yearbook 2002, US Department of Transportation

Further development of the highway system in Guangdong, in particular the PRD, is needed to accommodate both current traffic and expected future traffic increase. Additionally, demand for a more extensive highway system is supported by the following factors:

- accelerated integration with Hong Kong resulting from the 24 hour border crossing and further relaxation of licence control on cross-border vehicles which would lead to increase in business, commercial and leisure travel across the border

- development of other transportation and infrastructure facilities such as the Guangdong-HK-Macau Bridge-Tunnel
- increased foreign investments and the expected increase in business travel in the province due to the signing of CEPA and the PRC's WTO accession
- flourishing tourism as evidenced by the increase in the number of tourists in Guangdong from approximately 35.1 million in 1995 to 84.8 million in 2001, of which approximately 71.9 million were domestic tourists

In light of the current situation and the impact it saw a good highway system made on its economy for the past two decades, the government of Guangdong Province continues to place a high priority on developing highway infrastructure and set forth, among others, the following targets in the province's Tenth Five-Year Plan (2001-2005):

- adding 5,000 km of highways, including 1,150 km of expressways, to the existing highway system;
- completing an expressway network that will connect all major municipalities in the province and will extend to the surrounding provinces by 2005;
- expediting the construction of cross-regional highways, with a focus on upgrading the highways at a national and provincial level;
- proceeding with the preliminary study for the construction of a vehicular link between Zhuhai, Macau and Hong Kong.

According to the Guangdong Provincial Bureau of Communications, Guangdong is expected to spend approximately RMB19 billion (US$2.3 billion) per year from 2001 to 2005 on new highway infrastructure. This would bring the total expressway length in Guangdong to 2,300 km by the end of 2003. While the PRD, especially the Guangzhou-Shenzhen axle, remains the centrefold of future infrastructure spending, the government aims at directing more resources to extend the network to rural areas, estimated to claim 60% of the annual RMB19 billion budget. Guangdong has a long history of using private sector resources as well as government resources for investment in and construction of its road infrastructure. Foreign developers and operators, with the know-how and capitals, would be prime candidates to participate in these projects. In addition, 15 of the total 125 projects in the Tenth Five-Year Plan are related to the highway and auto industry. This shows the emphasis the government is placing on transportation development.

Land link between Zhuhai in Guangdong, Hong Kong and Macau

Due to the geographical proximity and the extensive economic integration between Guangdong, Hong Kong and Macau, there is a very substantial cross border flow of goods and passengers between these regions. In 2002, the inter-flow of passengers between Guangdong and Hong Kong by land (including vehicles and train) was about 118 million and by sea was about 6.8 million. The inter-flow of passengers between Hong Kong and Macau was about 11.4 million. The inter-flow of passengers between Macau and Guangdong was about 1.1 million.

Notwithstanding the above, at present, all the vehicular border crossings between Guangdong and Hong Kong are in the northern part of Hong Kong connecting with Shenzhen, namely the Huanggang/ Lok Ma Chau Border Crossing, the Man Kam To Border Crossing, the Lowu Border Crossing and the Sha Tou Kok Border Crossing. Scheduled to be completed in 2006, the new Control Point for the Shenzhen Western Corridor under construction linking Shekou in western Shenzhen with Hong Kong is also in the northern part of Hong Kong. Accordingly, there is currently no vehicular link between Hong Kong and the western bank of the PRD or Macau. Passengers and goods inter-flow between those regions must therefore be by sea or by road, necessitating a detour around the Pearl River estuary via the Humen Bridge or to a very insignificant extent, by helicopter.

Recognising the significance of a vehicular link between Hong Kong and the western bank of PRD, the Hopewell Group first developed a proposal for a bridge link between Zhuhai and the Tuen Mun area of Hong Kong in 1983. In view of the developments in the 1990s, including:

- the development of the Hong Kong International Airport and the construction of the Tsing Ma Bridge linking the Lantau Island with the main land portion of Hong Kong;
- the rapid economic development of the PRD into one of the world's major manufacturing bases, the disparity of development between the eastern and western banks of the PRD and the need to open up and accelerate the development of the western bank of the PRD to enhance the overall competitiveness of the PRD optimizing the cheaper land and labour costs of the western part of the PRD; and
- the policy of the Macau Special Administrative Region to issue casino licences to 3 major operators and to develop Macau into the Las Vegas of the Orient,

the Hopewell Group has in the late 1990s, developed a new proposal for a 29 km bridge link (which has subsequently been modified to be a bridge-tunnel link) connecting Zhuhai in Guangdong, the Lantau Island of Hong Kong near the Hong Kong International Airport and Macau.

The proposal for a bridge link connecting Zhuhai, the Lantau Island of Hong Kong and Macau has been adopted by the Government of the HKSAR. In the Policy Agenda of the Second Term Government of the HKSAR ("Policy Agenda") published on 8 January, 2003, and in the Hong Kong Chief Executive's address ("Chief Executive's Address") to the Hong Kong Legislative Council delivered on the same date, it was stated that such a bridge link is being pursued as a priority project subject to the results of an ongoing PRC government feasibility study.

REGULATION OF PRC HIGHWAYS

Overview of Regulatory Structure

Foreign investment and highway regulatory regimes

In common with other foreign investments in the PRC, foreign invested highway projects require official approvals from one or more central, provincial or local government authorities. Additionally, the construction and operation of highways in the PRC is governed by a regulatory regime specific to the highway transportation sector.

Highway regulatory authorities

The State Development Planning Commission ("SDPC") and the Ministry of Communications are responsible for the overall planning of the various means of transportation, including highways, in the PRC. The Ministry of Communications is the administrative department responsible for the planning, development, construction and management aspects of highways in the PRC. It mainly provides guidelines regarding national development policies, transfers of operating rights, regulations and standards for the design, construction and maintenance of highways. The Ministry of Communications is responsible for preparing and presenting proposals to the State Council and the SDPC for the examination and approval of major national highway projects which form part of the National Trunk Highway System.

At a local level, the provincial communications bureaus are given the power to implement the development plans announced by the SDPC and the Ministry of Communications, and to plan other provincial and municipal highway networks, conduct feasibility studies, and approve the basic structure of the different highway infrastructure projects. The Guangdong Provincial Bureau of Communications is the authority with official responsibility for the planning, development and construction of the highways in Guangdong Province.

Responsibility for setting and regulating highway toll rates and for the approval of toll increase applications rests with the relevant provincial price bureau and communications bureau.

Foreign Invested Enterprises

The PRC promulgated its first joint venture law in 1979. Since then, a broad range of related laws, administrative rules and regulations have been adopted that provide a framework within which foreign investment activities can be effectively conducted and regulated. The government has encouraged foreign direct investment in order to accelerate the inward flow of foreign capital, technology and management techniques.

Foreign invested enterprises in the PRC ("FIEs") may take a number of forms, including equity joint ventures, co-operative joint ventures and wholly foreign-owned enterprises. Equity joint ventures are "limited liability companies" incorporated and registered in the PRC. An equity joint venture company is a "PRC legal person" which has the right to own, use and dispose of personal property. In contrast with equity joint ventures, co-operative joint ventures are not necessarily PRC legal persons, although many co-operative joint ventures have such status. If a co-operative joint venture is not a PRC legal person, each PRC and foreign party is responsible for paying its own taxes on profits derived from the venture and bears its own liability for risks and losses. On the other hand a co-operative joint venture which is a PRC legal person will confer limited liability. A wholly-foreign-owned enterprise is owned completely by one or more foreign investors and does not involve any PRC joint venture parties. It is a PRC legal person under PRC law. The establishment of wholly-foreign-owned enterprises is restricted or prohibited in certain specified sectors, such as media, trading companies, banking and telecommunications.

Governmental Approvals

While the regulations governing and the procedures for obtaining approvals for foreign invested projects are generally well-understood, the specific regulations and procedures for the approval of toll road projects with foreign investment in the PRC and associated foreign invested enterprises are not entirely transparent. Project approvals and foreign investment approvals are required, but follow separate procedures. A foreign invested toll highway project will involve the following principal categories of approval:

- Planning and project-related approvals for the project;
- The various approvals and registration required for establishment of the relevant FIE;
- Approval for favourable tax treatment (if applicable); and
- Industry specific and pricing approvals (as required).

At the highest level, the right to approve projects in the PRC is vested in the State Council. The State Council has reserved to itself the authority to approve any project with a total investment which exceeds US$100 million, with certain exceptions. Pursuant to various PRC Government notices, the State Council has delegated the authority to approve any project with a total investment of less than US$100 million to various ministries and ministry level entities, including the SDPC. The SDPC and certain ministries and other ministry level entities have, in turn, adopted a policy, also by internal directives, of further delegating authority to approve projects with a total investment of less than US$30 million to provincial governments, provincial level bureaus of the Central Government and certain municipalities. The project approval authority of local government is, therefore, generally limited to not more than US$30 million. Separate from project approval, foreign investment must be approved by the Ministry of Commerce, or a provincial government authority in charge of foreign investment should the total investment amount be below US$30 million. Accordingly, FIEs proposing to undertake projects must obtain approvals for the projects from the appropriate level planning authorities and approvals for the foreign investment from a similar level government authority in charge of foreign investment.

Approval Process for a Foreign Invested Toll Highway Project

Generally, the approval process can be divided into three major stages. First, following preliminary planning by the PRC party and, in some instances, initial negotiations with the foreign party and the execution of a letter of intent by the parties, a project proposal (including a preliminary feasibility study report) is submitted to the appropriate level planning authorities for approval.

In the second stage, certain reports including a more detailed joint feasibility study report and an environmental impact report will be prepared and submitted to the relevant provincial planning authorities for approval. After obtaining the approval, the foreign and local parties will negotiate and execute a legally binding joint venture contract and articles of association. The approval of the local government authorities for the foreign investment is required. Additionally, as stated above, depending on the amount of total investment in the proposed project and joint venture, the approval of the Central Government may be required.

In the final stage, following approval of the joint venture by the relevant government authority in charge of foreign investment, the joint venture must register with and obtain a business licence from the State Administration of Industry and Commerce ("SAIC") or a branch thereof. Following the completion of these formalities, the parties are required to contribute their agreed registered capital.

In addition to such project and foreign investment approvals, the toll rates are subject to a separate pricing regime (see "Toll Rates" below).

Highway Laws

Overview

The PRC Highway Law (the "Highway Law") was passed on 3 July, 1997 and came into effect on 1 January, 1998. It was subsequently amended in October, 1999. It is the PRC's first national law on the planning, construction, maintenance and administration of highways. One of the main purposes of the Highway Law is to encourage new investment in the road sector. In particular, it endorses the use of foreign investment and the adoption of a range of financing options for new highway infrastructure projects.

The Highway Law does not, however, attempt to deal comprehensively with areas of concern to foreign investors in road projects such as the source of authority for the requisition and valuation of land use rights, procedures for the adjustment of toll levels, restrictions on competing routes, access to foreign exchange or the valuation of concession rights.

Planning and construction of highways

Under the Highway Law, highway development plans should be consistent with the urban construction, transport and land use development plans for that area and must be drawn up after consultation with other relevant departments and lower levels of the government.

According to the Highway Law, in the case of national highways, the plans are prepared by the Ministry of Communications together with the relevant departments of the State Council after consultation with the local People's Governments in the relevant provincial, autonomous region or centrally-governed municipality through which the highway passes. Such plans are subject to the State Council's approval. In the case of provincial highways, the plans are drawn up by the communications bureau of the relevant provincial government in consultation with the responsible department of the relevant local government. Such plans are subject to provincial government approval and are required to be filed for the record with the Ministry of Communications.

The Highway Law also seeks to ensure the quality of highway construction work. Projects are required to be implemented adopting a legal person responsibility system, a tender system and a project supervision system. Companies engaged as surveyors, construction and design contractors or supervisors on the project are expected to hold the appropriate qualifications and enter into legally binding contracts. Construction plans must be submitted to the communications department at county level or above before implementation. Before the project is handed over for operation, the works are required to be inspected to ensure completion to the relevant standard.

Where a highway project may disrupt infrastructure facilities such as electricity, telecommunications or railway lines, the construction company must obtain prior approval from the relevant government authorities before carrying out any work and either restore the facilities after the work has been completed or pay compensation.

The Highway Law provides that road investment projects involving foreign investors must be examined and approved in accordance with national regulations, which is considered to include the general body of regulation applicable to foreign invested enterprises.

Land development issues

The Highway Law contains only limited provisions concerning land use rights for a highway project, including a reference to the principle of protecting cultivated land and using land economically. The Highway Law does not however address issues concerning granted and allocated land use rights or the requisition of land from unwilling parties, except for providing that plans for construction of roads must conform to the master plan for land use at the appropriate level of provincial or lower level jurisdiction and must comply with all relevant laws and regulations. The Highway Law does not indicate government policy regarding the development of land adjacent to highways.

Fiscal and operational matters

The Highway Law makes no provision for toll rate increases during a project concession period. Equally, the Highway Law does not affect the role of provincial price bureaus or communications bureaus with regard to toll rates (see "Toll Rates" below).

Highways are required to be maintained in accordance with the standards and rules issued by the communications department of the State Council and the relevant highway operating company is responsible for compliance.

Toll plazas

On 18 July, 1994, the Ministry of Communications, the SDPC and the Ministry of Finance jointly promulgated the Notice Concerning the Establishment of Toll Plazas (Stations) on Roads Provisions (the "Toll Plazas Notice"). The provisions of the Toll Plazas Notice apply to all toll highways, including those constructed by FIEs, and stipulate approval requirements for the construction of toll plazas and certain restrictions on their location.

Transfers of operating rights

Pursuant to the Highway Law, the Ministry of Communications, together with the applicable communications bureaus, oversees transfers of operating rights for roads which have been constructed and are managed by communication departments. On 9 October, 1996, the Ministry of Communications promulgated the Measures for the Administration of Transfer of Operating Rights of Roads for Compensation (the "Measures"). In accordance with the Measures, operating rights of roads include (a) the right to collect tolls on completed roads and (b) the right to operate service facilities located in designated sections of such roads. The Measures stipulate that the operating right to collect tolls may not be transferred for a period in excess of 30 years. Generally, a transfer of operating rights of any roads would require the approval of the original approval authority.

Toll Rates

The Highway Law stipulates that the communications bureau at provincial level, together with the price bureau at the same level, is responsible for approval of toll rates. The Guangdong Provincial Price Bureau is, together with the Guangdong Provincial Communications Bureau, responsible for approving any applications for setting and subsequently increasing toll rates for expressways in Guangdong Province. When a highway operator decides to apply for the setting of the initial toll rates or a toll increase, it will make an application to the applicable price bureau and communications bureau and may do so at any time. The price bureau and communications bureau will generally consider factors such as the inflation rate, affordability, usage, local price levels, the rate of return on investment and parity of tolls charged within the region, among other factors, in determining whether or not to grant a toll increase. In addition to the foregoing factors, the price bureau and communications bureau will also give consideration to the capital invested in a project when setting the initial toll rates to be charged on an expressway. The Guangdong Provincial Price Bureau, a bureau of the Guangdong Provincial Government, is under the supervision of the Guangdong Provincial Government.

JOINT VENTURES AND FOREIGN EXCHANGE

Joint Ventures

Joint ventures in the PRC between Chinese and foreign parties take two basic forms: equity joint ventures and co-operative joint ventures. Equity joint ventures are governed by the Law of the People's Republic of China on Equity Joint Venture Enterprises and the implementing regulations related thereto (collectively, "Equity Joint Venture Law"). Co-operative joint ventures are governed by the Law of the People's Republic of China on Chinese and Foreign Co-operative Joint Venture Enterprises and the implementing regulations related thereto (collectively, "Co-operative Joint Venture Law"). All the Group's joint ventures are co-operative joint ventures.

A co-operative joint venture may be structured as an entity similar to a partnership (in which case it will not be separately qualified as a legal person under Chinese law) or it may be structured as a limited liability company (in which case it will be qualified as a legal person under Chinese law). In most cases, co-operative joint ventures are formed as limited liability companies and this is the case for all the Group's joint ventures. Co-operative joint ventures allow more flexibility than equity joint ventures in structuring the terms of the joint venture arrangement. For example, in a co-operative joint venture the rights of a party to share in the profits of the joint venture need not correspond to its contributions to the registered capital (equity) of the joint venture relative to other parties. In addition, subject to government approval, the Co-operative Joint Venture Law permits recovery of the foreign party's investment during the joint venture period. However, the Co-operative Joint Venture Law requires that the fixed assets of the joint venture be transferred to the Chinese party or parties without charge at the end of the joint venture period if the foreign party recovers all of its investment during the term of the joint venture. Co-operative joint ventures are subject to laws and regulations with respect to such matters as the contribution of registered capital, debt to equity leverage ratios, accounting, taxation, foreign exchange, labour and liquidation and dissolution. Transfer of an interest in a co-operative joint venture requires government approval and unanimous agreement among the parties.

An equity joint venture enterprise is a distinct legal entity established and registered as a limited liability company. The parties to an equity joint venture have rights to share in the profits of the joint venture in proportion to their respective contributions to the registered capital of the joint venture. Joint venture parties may normally only recover their investments upon liquidation of the equity joint venture (if the joint venture is solvent at the time of liquidation) in the same proportion as their respective contributions to the registered capital or if it sells its interest in the joint venture to the Chinese party or a third party. Transfer of an interest in an equity joint venture requires government approval and unanimous agreement among the parties. Upon dissolution of an equity joint venture, its remaining assets after all claims shall be distributed among the parties in proportion to their respective contributions to the registered capital of the joint venture unless otherwise provided for in the joint venture contract. In addition, in an equity joint venture, subject to the fulfillment of various requirements under the relevant law and the approval of the relevant government authority, the parties may reduce the amount of their registered capital.

Typically, dividends are paid by a joint venture in accordance with the profit distribution arrangements stipulated in the joint venture contract. Except as mentioned above, PRC laws and regulations provide that only accounting profits (after payment of taxes, provision for losses for prior years and contributions to special funds for enterprise development, employee welfare and bonuses and a general reserve) are available for dividend distributions to the parties of a joint venture.

In addition to contributions of registered capital, joint ventures may be financed by debt, including shareholder loans. Foreign currency loans to a joint venture, however, must be registered with the SAFE or a branch thereof in the location in which the joint venture is registered (see "Foreign Exchange" below).

Foreign Exchange

Prior to 1 January, 1994, China had dual-track foreign exchange rates. Under this system the SAFE published an official exchange rate (the "Official Exchange Rate") at which foreign exchange transactions would take place at authorized financial institutions. At the same time, foreign exchange transactions could be effected with government permission at official swap centres at prices set in part by supply and demand. Significant variances developed in 1992 and 1993 between the Official Exchange Rate and the swap centre rates.

With effect from 1 January, 1994, a new unitary, managed floating-rate system was introduced to replace the dual foreign exchange system. Under the new system, PBOC sets the rate (the "PBOC Rate") based on the previous day's PRC interbank foreign exchange market rate with reference to current exchange rates on the world financial markets. Authorized banks and financial institutions are allowed to quote buy and sell rates for Renminbi within a specified range around the daily PBOC Rate.

Upon adoption of the new managed floating-rate system, the State Council announced that the PBOC would try to balance the demand for and supply of foreign currencies in China and stabilize the Renminbi exchange rate mainly through macro-economic measures, including management of monetary policy and interest rates.

In April 1994, the State Council established a national inter-bank foreign exchange market, called the China Foreign Exchange Trading System (the "CFETS"), in Shanghai to provide foreign exchange trading and settlement. CFETS now has links with over 332 banks and financial institutions in the PRC. The CFETS is supervised and managed by SAFE in accordance with PBOC policy.

As of 1 December, 1996, the Renminbi became fully convertible for current account transactions, including profit distribution. Subject to compliance with applicable procedures, no approvals are needed in order to acquire foreign exchange for a current account transaction. For foreign investment enterprises, current account transactions include payment of dividends and other distributions to foreign shareholders. Strict controls, primarily prior to SAFE approval, continue for capital account transactions in foreign exchange. Capital account transactions include loans, direct and portfolio investments and investments in negotiable securities.

The Renminbi has continued to appreciate against the U.S. dollar since 1994. At the end of 1994 the exchange rate was US$1.00 to RMB8.4491, climbing to US$1.00 to RMB 8.28 on 30 April, 2003.

TAXATION OF FOREIGN INVESTED ENTERPRISES

Business tax

In accordance with the Provisional Rules of the PRC on Business Tax and the Detailed Rules for the Implementation of the Provisional Rules of the PRC on Business Tax, which came into effect on 1 January, 1994, businesses that provide services (other than entertainment business, whose business tax rate shall be decided by government authorities on a provincial level in accordance with the Provisional Rules of the PRC on Business Tax), assign intangible assets or sell immovable property are liable to business tax at a rate of between 3% and 5% of the turnover from the services provided, intangible assets assigned or immovable property sold, as the case may be. The amount of tax payable is calculated by reference to the business turnover of the taxpayer and the relevant scale stipulated in the Schedule to the Provisional Rules of the PRC on Business Tax.

Income tax

According to the Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises (the "Foreign Enterprises Tax Law"), and the Detailed Rules for the Implementation of the Foreign Enterprises Tax Law which came into effect on 1 July, 1991, FIEs are generally required to pay a foreign enterprise income tax at the rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income. Preferential tax rate for foreign enterprise income tax is granted to FIEs which can fulfil specific requirements including: (i) FIEs situated in a special economic zone or a coastal city and engage in specific types of industries set out in the relevant implementation regulations, foreign enterprise income tax will be charged at a rate 24%; and (ii) FIEs situated in a special economic zone or a coastal city and engage in specific types of industries such as energy, transport infrastructure and port development, foreign enterprise income tax will be charged at a rate of 15%. The law also sets out that companies engaged in the energy industry, transportation and other industries promoted by the state could be entitled to tax holidays or preferential tax benefits if they fulfil the requirements set out in the law.

The governments of provinces, autonomous regions and centrally supervised municipalities may also grant exemptions from or reduce local income tax for a FIE engaged in an industry or a project encouraged by the government of the PRC.

In respect of foreign enterprise income tax, pursuant to approvals granted by the State Administration of Taxation all of the Group's JV Enterprises enjoy (or in the case of Phase 1 West JV, will be entitled to enjoy) reduced rates (see "Taxation" for specific tax details in relation to each Project in "The Road Projects").

Profit distributions

According to the Foreign Enterprises Tax Law, foreign investors are exempt from income tax on distributions of profits by FIEs. The relevant members of the Group which hold interests in the JV Enterprises are foreign investors for this purpose. No withholding tax is applicable to any profit distributions by FIEs.

OVERVIEW

The Group's primary business is to initiate, promote, develop and operate strategically important roads, tunnels, bridges and related infrastructure projects in Guangdong Province in the southern PRC, and in particular the Pearl River Delta region bordering Hong Kong. All the Group's existing projects are strategic components or links in the PRD's developing highway network in which the GS Superhighway forms a major artery between Guangzhou and Shenzhen, running through Dongguan and reaching Hong Kong at the Shenzhen border.

The Group currently has interests in three principal toll-expressway Projects:

- The Guangzhou-Shenzhen Superhighway
- The Guangzhou E-S-W Ring Road
- Phase 1 of the Western Delta Route

All of the Group's existing Project interests are (or will be, in the case of Phase 1 West) held through Sino-foreign co-operative joint ventures established according to applicable PRC laws, and all involving PRC partners established by, or closely associated with, the governmental or administrative bodies that are responsible for transport infrastructure within the relevant regions and localities.

GROWTH IN GUANGDONG PROVINCE AND THE PRD

Hopewell is one of the leaders in the PRC infrastructure industry and one of the first foreign companies to have invested in infrastructure projects in the PRC. The Group's involvement in the development of the PRD's highway network stems from Hopewell's vision of the potential which could be unlocked from Guangdong and in particular the PRD following the PRC's economic reforms of the late 1970s. The Group's projects originate from Hopewell's pursuit of that vision and its consistent belief that realisation of the PRD's growth potential, and its economic integration with Hong Kong, would both depend on and support the creation of an integrated highway network within the region.

Consistent with Hopewell's original expectations, economic and industrial growth in Guangdong Province, particularly the PRD, has proved to be one of the prime catalysts for the development of the highway network. In addition to fuelling traffic demand, the growth of surrounding towns and facilities and the clustering of population, industry and services in areas along the routes has served to enhance the long-term significance of the Group's highways. As the first expressway directly connecting Guangzhou with Shenzhen and Hong Kong, the GS Superhighway in particular benefits from the urban and industrial corridor which has developed along its route.

Guangdong Province is one of the wealthiest and fastest growing provinces in the PRC. GDP of Guangdong Province has shown compound annual growth of approximately 19% over the period between 1991 and 2001, outperforming the PRC average. According to the Guangdong Statistical Yearbook 2002, foreign direct investment in Guangdong Province in 2001 totalled US$11.9 billion, representing approximately 25% of total foreign direct investment in the PRC. Guangdong's share of total national exports was approximately 36% or US$95.4 billion. According to a Working Report for Guangdong Province published by the former Governor of Guangdong Province, Mr. Lu Rui Hua, on 13 January, 2003, Guangdong Province is estimated to have experienced significant growth in economic activity in 2002: GDP for 2002 is estimated at RMB1,167.4 billion (approximately US$141 billion) (approximately 10% growth against 2001) and total exports are estimated at US$118.6 billion (approximately 24% growth against 2001).

The PRD lies at the mouth of the Pearl River Estuary in the southern part of Guangdong Province. Following the PRC's adoption of open door economic reform policies in the late 1970s, the PRD has rapidly been transformed from an agricultural region to become one of the world's most important centres of industrial output and is continuing to grow. While the PRD has only around 30% of the population of Guangdong Province, in 2001 it accounted for approximately 78% of Guangdong Province's total GDP, approximately 98% of its foreign direct investment and approximately 95% of its exports.

The PRD has benefited particularly from its proximity to Hong Kong and the existence of special economic zones and open coastal cities which were established to boost the new economic reforms. Two of Guangdong Province's three special economic zones are within the PRD. This environment has enabled the PRD to attract substantial foreign investment and has led to a process of progressive economic integration between the PRD and Hong Kong. The Company expects this process of economic integration to be further enhanced by the Closer Economic Partnership Arrangement ("CEPA") signed on 29 June, 2003. CEPA sets out a number of economic measures with respect to trade in goods and services and investment facilitation, including tariff reductions and liberalisation of professional and investment services. The Company sees such measures as a significant positive development in the economic relationship between the PRC and Hong Kong.

According to a survey of the Federation of Hong Kong Industries published in November 2002, it was estimated that, of the 122,809 Hong Kong manufacturing and trading firms ("HKM&T firms") registered in Hong Kong, about 52%, or 63,000 firms, were economically active in the PRC in 2001. Of these HKM&T firms, an estimated 43% had invested in factory facilities in the PRC and 45% had made sub-contracting processing arrangements with factories in the PRC. Guangdong is the most important base for Hong Kong's manufacturing operations. In 2001, it was estimated that:

- there were 53,000 factories concentrated in five PRD cities (Dongguan, Shenzhen, Zhongshan, Guangzhou and Huizhou) working for HKM&T firms;
- about 83,000 Hong Kong based staff of these HKM&T firms spent more than half of their annual working days in Guangdong Province;
- most of the products manufactured by HKM&T firms that were economically active in the PRC were exported to the world via Hong Kong; and
- most of the raw materials and semi-processed materials used by HKM&T firms in their manufacturing activities in the PRC were imported from Hong Kong and other overseas markets.

Guangdong's highway system has grown hand-in-hand with the economic development of Guangdong for the past decade. The province's GDP grew more than 40 times from 1980 to 2001. At the same time, the highway system expanded rapidly to support this growth. Highway length was merely 49,495 km in 1980 and was 104,798 km at the end of 2001. Appreciating the role that a developed highway network plays in economic development from its own experience, the Guangdong government made highway improvement its prime priority in its Tenth Five-year Plan (2001-2005), with a vision of linking all major municipalities in the province as well as to connect to other provinces.

Since its first full year of operations in 1995, the GS Superhighway has seen compound annual growth in average daily tolled traffic flow of approximately 16%. In 2002, the GS Superhighway JV was ranked by the Ministry of Foreign Trade and Economic Cooperation among the top 500 foreign companies in the PRC in terms of revenue.

THE THREE EXISTING PROJECTS

Through Sino-foreign co-operative joint venture arrangements established according to applicable PRC laws, the Group holds interests in the following three toll-expressway projects:

- **The GS Superhighway**: the GS Superhighway is a 122.8 km closed system dual three lane expressway running from Guangdan in Guangzhou to the Hong Kong-Shenzhen border crossing at Huanggang in Shenzhen.

  As the first and currently the only expressway directly connecting Guangzhou, the capital of Guangdong Province, with Shenzhen and Hong Kong, the GS Superhighway is a major artery in the developing PRD highway network, forming a north-south corridor in the eastern PRD running through Dongguan and reaching Hong Kong at the Shenzhen border.

  Many populous and/or industrial towns, and important facilities including the Shenzhen Baoan Airport and various sea ports, are connected to the GS Superhighway's 18 strategically placed interchanges, and the expressway is well connected to the other major highways in the PRD. In particular, as the only expressway connection between Shenzhen and the Humen Bridge, the GS Superhighway is the most important route for traffic between Shenzhen and locations in the western and south-eastern parts of the PRD.

- **The Guangzhou E-S-W Ring Road**: the Guangzhou E-S-W Ring Road is a 38 km closed system dual three lane expressway by-pass route running along the eastern, southern and western fringes of Guangzhou city. Its eastern and western ends connect to Guangzhou's northern by-pass creating an inter-connected expressway ring road route surrounding Guangzhou city.

  The Guangzhou E-S-W Ring Road is a strategic component of the road system serving the increasingly heavy traffic flow in and around Guangzhou city. The route is an important by-pass for the high volume of external traffic which passes Guangzhou en route to other destinations via the many major highways which serve Guangzhou. It also provides an important route for Guangzhou traffic as an alternative to medium to long trips through central parts of the city.

  The GS Superhighway connects to the Guangzhou E-S-W Ring Road, as will Phase 1 of the Western Delta Route.

- **Phase 1 West**: Phase 1 of the Western Delta Route, currently under construction, will be a 14.7 km closed system dual three lane expressway fulfilling the strategic need for a high speed link between Guangzhou city and Shunde. It is expected to reduce the journey time between the two cities to approximately 10 to 15 minutes from a journey of approximately 40 minutes on existing roads.

Further details of the Group's Projects are set out below in the section "The Road Projects".

KEY STRENGTHS

The Directors believe that, with over two decades' experience in the PRC toll road infrastructure industry, the Company has developed the following strengths and competitive advantages:

The Group has successfully established a portfolio of operational and revenue generating toll expressway projects

- The GS Superhighway and the Guangzhou E-S-W Ring Road have been completed and generate daily cash receipts.
- Revenues from these projects provide a sound financial base and the basis for the Group to enjoy a reliable cash return.
- The GS Superhighway has seen compound annual growth in average daily tolled traffic flow of 15.9% since its first year of full year of operations in 1995.

The Group's roads are strategically located in high economic growth areas within the PRD

The GS Superhighway

- The GS Superhighway is the first and currently the only expressway directly connecting Guangzhou in the north with Shenzhen and Hong Kong in the south, forming a corridor of economic activity.
- It forms a major artery in the developing PRD highway network, connecting the key municipalities of Guangzhou, Dongguan and Shenzhen. These municipalities have become the leading centres within the PRD during its recent period of substantial economic growth.
- Many other towns and facilities along the route have grown up or expanded significantly with the development of the expressway. This has reinforced the importance of the expressway.

The Guangzhou E-S-W Ring Road

- The Guangzhou E-S-W Ring Road is a strategic component of the road system serving the increasingly heavy traffic flow in and around Guangzhou.
- Guangzhou is continuing to expand and develop as the commercial centre of Guangdong Province. Existing urban expansion and renewal plans include major strategic developments encompassing the new Guangzhou International Airport in Huadu to the north, and a new technology oriented urban centre and sea port at Nansha to the south.
- The strength of the Guangzhou E-S-W Ring Road is significantly dependent on its connectivity, that is the number of major feeder roads connecting it with destinations for potential traffic such as populous and important industrial regions, airports and other facilities within the PRD. In addition to existing connections, further connections planned include: Phase 1 West, linking with Shunde (planned for opening during 2004); the Guangzhou Southern Expressway, linking with the Guangzhu East Line and the Nansha Port Development Area (also scheduled for opening by 2005); and the New Guangfo Expressway linking with Foshan.
- In the light of experience with ring roads in other major cities, the Directors anticipate that the Guangzhou E-S-W Ring Road will be an increasingly important component of the traffic system serving the greater Guangzhou metropolitan area, and supporting the city's outward expansion.

Phase 1 West

- Phase 1 of the Western Delta Route will fulfil the strategic need for a high speed link between Guangzhou city and Shunde. The Directors expect it to reduce the journey time between the two cities to approximately 10 to 15 minutes from a journey of approximately 40 minutes on existing roads.

The Group's Projects benefit from high barriers to competition

- Early entry advantage

  The high entry barriers in the toll highway industry offer the Company substantial incumbency and lead-time advantages. Financing capacity, technological know-how, established governmental and business relationships, and ability to commit resources to lengthy regulatory approval and development processes are among the critical qualities for success.

  When the GS Superhighway was completed, it substantially reduced travel time between Guangzhou and Shenzhen and was the first expressway connecting major towns and cities within the PRD.

- Build-up and development along routes

  For industry seeking to establish or relocate within the PRD, there are obvious attractions in selecting locations having ready access to the major highways. Accordingly, the long-term significance of the Group's routes has increased with the growth of surrounding towns and facilities, and the clustering of population, industry and services in areas along the routes.

- Established connections and feeder flow

  Usage of roads depends on their accessibility relative to points of origin and destination for their potential traffic. The Group's completed roads are already supported by major feeder roads connecting with many of the most highly populous and important industrial regions, airports and other facilities in the PRD, and are well connected with the region's other major highways.

- Complexities and lead-time for new competition

  The process of obtaining necessary official approvals, land use rights and financing for a PRC road project is complex, lengthy and expensive. Construction is also a lengthy and uncertain process. As a result, road projects have a long lead-time to completion.

The Company has a well-defined strategy focusing on Guangdong Province and the PRD

- The Company's strategy is to leverage on its superior competitive advantages and the high barriers of entry to the industry to capture growth opportunities.

  The Group's focus is on projects which are of strategic significance to the development of an integrated highway network within the PRD which allows the Company to benefit from traffic growth on its roads as well as increasing inter-connection with the PRD's wider network.

- The Group is well positioned to capitalise on continued growth within Guangdong Province and the PRD

  All of the Group's existing Projects are strategically located within the PRD, reflecting Hopewell's vision of the region's economic growth potential, and in particular the potential for integration with Hong Kong, following the adoption of the PRC's open door and economic reform policies in the late 1970s.

  Historical growth in traffic flow on the Group's roads has been in line with economic growth and increased personal wealth resulting from opportunities created by these reforms.

- The Group's roads benefit from the continuing development of the wider network

  While the Group's roads are strategically important in their own right, traffic volume depends on inter-connection with the wider network. The Company believes that the full potential of its Projects will begin to be realised as the highway network within Guangdong Province and the PRD continues to develop further.

  In view of the PRC Government's continuing focus on the national highway network, the highway network within the PRD is set to become an integral component of a broader system by which locations within the PRD and Guangdong Province will be connected with leading cities across the PRC.

- WTO and CEPA

  The PRC's accession to the WTO in 2001 is widely expected to contribute to continued growth in highway usage in the PRC, and the Company also anticipates that the implementation of CEPA will have a positive effect on trade and traffic flow between Hong Kong and the PRC. The Company expects Guangdong Province and the PRD to remain at the forefront of industrial and economic growth in the PRC.

The Group is well positioned to capitalise on new opportunities

While the Company believes that its track record makes it well positioned to participate in further projects, the Company will only pursue opportunities which the Company believes will generate a satisfactory return on investment.

- The Group has proven expertise in the initiation, promotion, development and operation of PRC toll-road projects

  In the course of establishing the Group's existing Projects, HHI has demonstrated its expertise, and acquired substantial experience, in initiating, promoting, developing and operating large-scale PRC toll expressway and related infrastructure projects.

  The Group has normally aimed to take the lead role in the initiation and promotion of its Projects. The GS Superhighway Project resulted from initiatives of Hopewell outlined in a proposal letter submitted to the Guangdong Provincial Government in December 1978. HHI took the lead role throughout the process of initiation and promotion of the GS Superhighway Project, including negotiation of the concession rights established by the JV Contract, in the negotiation of construction contracts and in the arrangement of financing for the Project. The Guangzhou E-S-W Ring Road and the Western Delta Route Projects originate from the same proposal letter from 1978.

- The Group has a track record of successful co-operation with important PRC joint venture partners

  The Company believes that HHI's choices of local joint venture partners and its ability to co-operate effectively with these joint venture partners have contributed significantly to its success, both in securing participation in projects and in the successful completion of the projects it has undertaken. All of the Group's PRC partners are entities established by, or closely associated with, the governmental or administrative bodies having responsibility for transport infrastructure within the relevant regions and localities, and which have significant strategic and financial interests in the continued success of the Projects. The Company believes that its history of successful co-operation and relationships with its joint venture partners will position the Company well to participate in future projects consistent with the Company's overall business strategies.

The Group benefits from experienced and professional management

- The Group's management team comprises a core group of highly experienced professionals based in Hong Kong and the PRC with the origination, development, management, engineering, operational and financial skills necessary for the effective initiation, promotion, development and management of major PRC toll road infrastructure projects.

STRATEGY

The Company's strategy is to leverage on its superior competitive advantages and the high barriers to entry of the industry to capture growth opportunities. This strategy involves the following principal elements:

To continue to focus on strategically important transport infrastructure projects in Guangdong Province and the PRD

- The Company continues to focus on initiating, promoting, developing and operating projects which are of strategic significance to the development of an integrated highway network within the PRD.
- The Company believes that the validity of this underlying strategy has been borne out, and that the Group's focus on the PRD will continue to deliver benefits resulting from the region's strong economic growth and the progressive economic integration of the PRD and Hong Kong.

To maintain the competitiveness of the existing Projects, and the stability of returns, through effective management and forward planning

- The Company views the management of its completed Projects as the provision of a service to road users, and believes that alignment, accessibility, speed and safety are the key factors that influence road users in their choice of route. For these reasons, the Company sees these factors as key to maintaining its competitive position.
- The Company aims to protect returns by ensuring that its roads are well maintained, and offer smooth flow of traffic. Central to the Company's strategy is forward planning and anticipation of demand. Several examples of forward operational planning, aimed at establishing prime road conditions to suit future traffic requirements, are currently in progress on the GS Superhighway. They include the re-paving of the road surface, the improvement and expansion of the entry-exit facilities at the Nantou and Huangtian interchanges, and the expansion from six to eight lanes of a high volume 2.7 km section between the Hezhou and Huangtian interchanges near Shenzhen Baoan Airport. The introduction of IC card toll collection technology is another example, and the Company will continue its policy of deploying proven technology where appropriate and to the benefit of these objectives.

To capitalise on opportunities to participate in further projects

- The Company believes that its experience and track record in successfully completed road projects and the connections and reputation built up by the Company and its officers within the PRC will continue to lead to opportunities to participate in further projects. However, the Company will only pursue opportunities which the Company believes will generate a satisfactory return on investment.
- The Company believes that the development of a bridge-tunnel connecting Zhuhai in Guangdong and Macau with Hong Kong will be strategic to the further economic development of the PRD, Hong Kong and Macau.

In addition to being a logical and significant step in furthering the development of the PRD, Macau and Hong Kong as an integrated economic zone, the Company believes that this project would open up and accelerate the economic development of the western PRD resulting in the enhancement of the overall competitiveness of the PRD as a world-wide manufacturing base, providing new dynamism to the economy of Hong Kong as well as further developing Hong Kong, Macau, Zhuhai and Shenzhen into an integrated tourist zone.

In the Policy Agenda of the Second Term Government of the HKSAR published on 8 January, 2003, and in the Hong Kong Chief Executive's address to the Hong Kong Legislative Council delivered on the same date, it was stated that such a bridge link is being pursued as a priority project subject to the results of an ongoing PRC governmental feasibility study.

HHI has devoted significant efforts to promoting this project and will actively continue to pursue it. If the project proceeds, the Company believes that it would be well positioned to participate subject to satisfactory investment considerations.

- The Group, through HHI West Co, retains the concession rights for Phases 2 and 3 of the Western Delta Route. Although no firm plans have yet been formulated for development of Phase 2 or 3, the development of these further Phases is being actively pursued by the Group. This may be implemented by way of a joint venture with a suitable PRC partner.

  Phases 2 and 3 of the Western Delta Route are envisaged to comprise approximately 42 km of expressway running from the southern end of Phase 1 West in Shunde through to Zhongshan. At Zhongshan, the route would connect with (i) National Highway 105, which runs through to Zhuhai in the south, and (ii) the Jiangzhong Expressway (planned to be completed in 2004) which will link Jiangmen in the west and the Guangzhu East Line in the east. On completion of all three Phases of the Western Delta Route, it would create an arterial expressway system directly linking Guangzhou, Nanhai, Shunde and Zhongshan.

- In addition to the projects it initiates, the Group will, in appropriate cases, consider other opportunities to participate in projects which are aligned with the Group's focus on strategically important road and related infrastructure projects.

- While the Group's primary focus is on Guangdong Province and the PRD, the Group's track record, connections and reputation may give rise to other opportunities in the PRC.

HISTORY, DEVELOPMENT AND REORGANISATION

Hopewell is one of the leaders in the PRC infrastructure industry and was one of the first foreign companies to invest in infrastructure projects in the PRC. The development of the Group's toll-expressways stems from initiatives taken by Hopewell in the late 1970s and early 1980s based on Hopewell's vision of the potential which could be unlocked from Guangdong and in particular the PRD region following the PRC's economic reforms of the late 1970s. The Group's projects originate from Hopewell's pursuit of that vision and its consistent belief that realisation of the PRD's growth potential, and its economic integration with Hong Kong, would both depend on and support the development of an integrated highway network within the region.

The Hopewell Group's first PRC toll-road project was established in the late 1980s stemming from original proposals put forward by Hopewell in 1978. These original proposals included expressways in the eastern and western parts of the PRD as well as a ring road by-pass system for Guangzhou city. The original proposals included what have subsequently become (in their respective current forms) the GS Superhighway, Guangzhou E-S-W Ring Road and Phase 1 West Projects. In the meantime, Hopewell also secured participation in the Shunde 105 road enhancement project, as well as the Shunde Roads project covering a network of four local roads in Shunde. In the course of pursuing this strategy and establishing its track record in successfully completed road projects, the Hopewell Group and HHI have acquired significant experience and reputation within the PRC.

Hopewell's China infrastructure division was formed in 1995 for the purpose of developing, owning, managing and operating the Hopewell Group's principal PRC transportation infrastructure projects. All five of the Hopewell Group's toll-road Projects have previously been managed under the China infrastructure division's project and management teams.

The Group's corporate, operational and management structure has been created by means of a reorganisation completed in anticipation of the Offering. The Group's businesses comprise the three closed system toll-expressway projects formerly under Hopewell's China infrastructure division. Under the terms of this reorganisation, all Hopewell Group personnel who have previously been involved as members of the project and management teams for any of the Group's three Projects were transferred across to the Group. The Hopewell Group's interests in the Shunde 105 and Shunde Roads projects (both of which are open system class 1 highways) have been retained by or transferred to other subsidiaries of Hopewell which do not form part of the Group. (See "Group Structure" and "Relationship With The Hopewell Group" below).

GROUP STRUCTURE

The Company is the holding company for the Group and the Group's interests in its three existing Projects.

The Group's corporate, operational and management structure has been created by means of a reorganisation completed in anticipation of the Offering. As part of this reorganisation, all Hopewell Group personnel who have previously been involved as members of the management teams for any of the Group's three Projects have been transferred across to the Group. The Hopewell Group's interests in the Shunde 105 and Shunde Roads projects (both of which are open system class I highways) have been retained by or transferred to other subsidiaries of Hopewell which do not form part of the Group. (See "Relationship With The Hopewell Group").

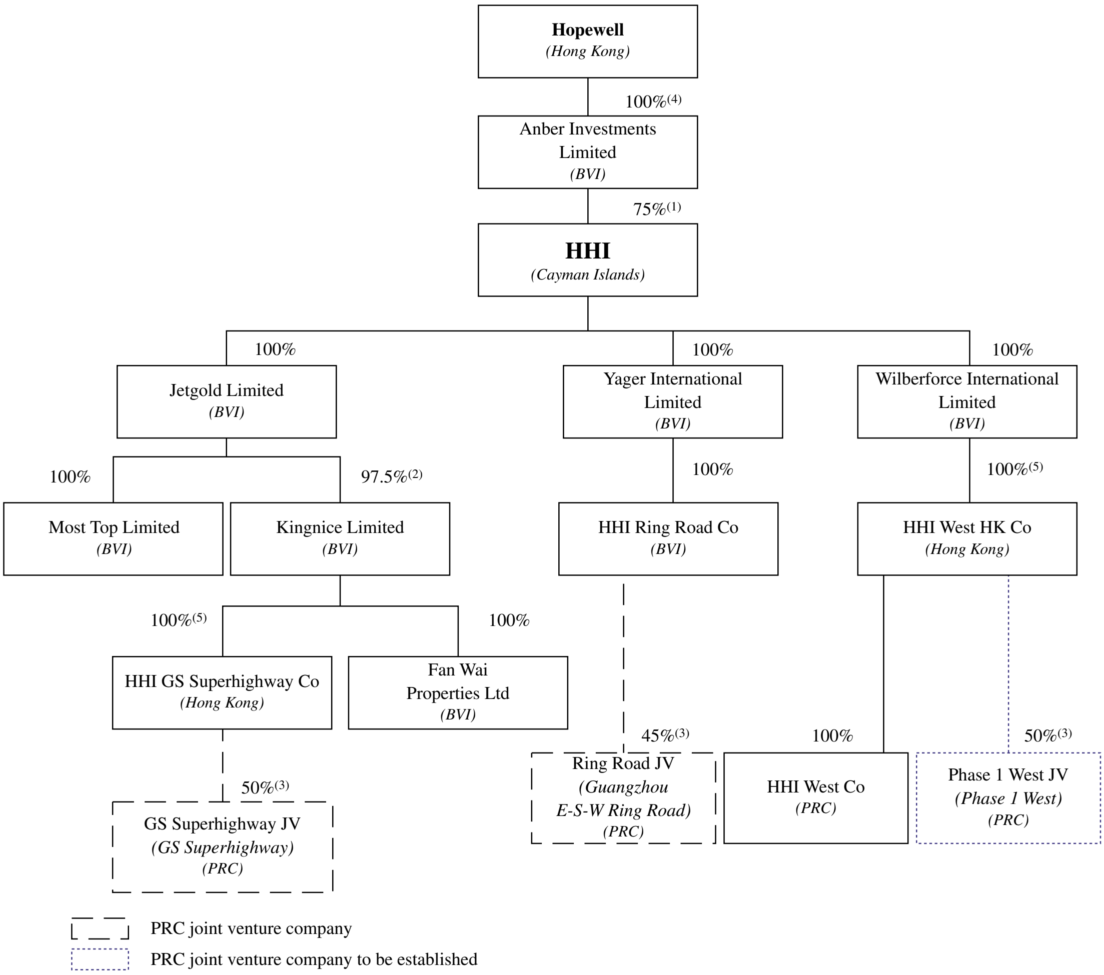
All of the Group's three existing projects are joint ventures established (or to be established in the case of Phase 1 West JV) according to applicable PRC laws governing Sino-foreign co-operative joint ventures.

A summary of the three JV Enterprises is set out in the following table:

	GS Superhighway JV	Ring Road JV	Phase 1 West JV
Date of establishment	27 April, 1988	26 December, 1992	In the process of being established
Approval requirements	Certificate of Approval for its establishment as a Sino-foreign co-operative joint venture was issued by Guangdong Provincial Government on 25 April, 1988	Certificate of Approval for its establishment as a Sino-foreign co-operative joint venture was issued by Guangzhou Municipal Government on 24 December, 1992	Final approval is in the process of being obtained
	Business Licence was issued by PRC Industrial and Commercial Administrative Bureau on 27 April, 1988	Business Licence was issued by PRC Industrial and Commercial Administrative Bureau on 26 December, 1992	

	GS Superhighway JV	Ring Road JV	Phase 1 West JV
Total investment	RMB12,217 million (total cost of construction as audited by Guangdong Provincial Audit Bureau)	RMB4,500 million	RMB1,680 million (approved by the Guangdong Provincial Development Planning Committee)
Other financing information	Please see "Financing" in "The Road Projects — Guangzhou-Shenzhen Superhighway"	Please see "Financing" in "The Road Projects — Guangzhou East-South-West Ring Road"	Please see "Financing of Phase 1 West" in "The Road Projects — Phase 1 West"
Registered capital	RMB471 million (equivalent to HK$702 million) fully paid and verified on 12 December, 1991	US$55 million fully paid and verified on 23 March, 1995	Approved to be not less than 35% of the total investment i.e. RMB588 million and yet to be paid
Concession period	30 years from 1 July, 1997	30 years from 1 January, 2002	30 years from date of establishment (expected in 2003)
Scope of business activities	To plan, design, construct, operate and manage the GS Superhighway Project and various facilities along the route of the GS Superhighway, including, cafeterias, advertisements, public bus services, car parks, refueling stations, motor vehicle repair centres, stations for passenger and goods vehicles and retail sales	To plan, design, construct, operate and manage the Guangzhou E-S-W Ring Road Project and various facilities along the route of the Guangzhou E-S-W Ring Road as provided in the Ring Road JV Contract	Subject to the final approval, the scope of business activities is to invest, plan, design, construct and operate Phase 1 West
Joint venture arrangements	Please see "Joint Venture and Project Management Arrangements" in "The Road Projects — Guangzhou-Shenzhen Superhighway"	Please see "Joint Venture and Project Management Arrangements" in "The Road Projects — Guangzhou East-South-West Ring Road"	Please see "Joint Venture Arrangements for Phase 1 West" in "The Road Projects — Phase 1 West"

The Group's corporate and shareholding structure immediately following the Offering can be illustrated by the following diagram:



Notes:

1. (i) Hopewell's interest is stated before taking account of the Over-allotment Option or any Shares which may be issued on exercise of the subscription rights attaching to the Warrants or upon the exercise of options which may be granted under the Share Option Scheme.

   (ii) Bank of China (Hong Kong) Limited has an option to purchase from Hopewell up to 5% of the existing issued share capital of the Company as at the date on which dealings in the Shares first commence on the Stock Exchange ("BOC Option"). See "Substantial Shareholders — BOC Option" for further details of this option.

2. A minority party holds 2.5% of Kingnice Limited, which is the parent of HHI GS Superhighway Co. The minority party is entitled to the equivalent of 1%, to be reduced to 0.75% after the tenth year of the concession period, of the total dividends distributed by the GS Superhighway JV less overhead and other administrative expenses of the HHI GS Superhighway Co and Kingnice Limited.

3. The percentage interests indicated for the PRC joint venture companies are based on the joint venture partners' proportionate entitlements to profit share, net cash flow and net operating income (as the case may be) as specified in the relevant JV Contracts.

4. Anber Investments Limited is an indirect wholly-owned subsidiary of Hopewell.

5. The Group holds 100% of the ordinary share capital. As a result of corporate reorganisations, the Hopewell Group retains certain non-voting economically worthless deferred shares (see "Further Information About The Company — Corporate Reorganisation" in Appendix IX).

Following completion of the Offering, Hopewell will continue to be the Company's controlling shareholder. Key aspects of the continuing relationship between the Group and the Hopewell Group are described in more detail in the section "Relationship With The Hopewell Group" below.

INITIATION, PROMOTION AND MANAGEMENT OF PROJECTS

HHI has normally aimed to take the lead role in the initiation and promotion of its Projects. The GS Superhighway Project was established in the mid-1980s as Hopewell was pushing forward with its vision of an integrated highway network for the PRD. The Project resulted from initiatives of Hopewell outlined in a proposal letter submitted to the Guangdong Provincial Government in December 1978.

As with all foreign invested projects in the PRC, the GS Superhighway Project conforms to a permitted form of investment structure and has been established by HHI as a Sino-foreign co-operative joint venture together with Guangdong Provincial Highway Construction Company as HHI's PRC partner.

HHI took the lead role throughout the process of initiation and promotion of the GS Superhighway Project, including negotiation of the concession rights established by the JV Contract, and the construction contracts, and in arranging financing for the Project. The position of General Manager, which carries key responsibilities in relation to ongoing management functions, has been held by Hopewell's Chairman, Sir Gordon Wu, since the establishment of the GS Superhighway JV in 1988. (See "The Road Projects — The Guangzhou-Shenzhen Superhighway").

The Guangzhou E-S-W Ring Road Project originates from the same proposal letter in 1978. HHI again took the lead role throughout the process of initiation and promotion of the Project before introducing CKI as a co-participant. The Project was originally established as a Sino-foreign co-operative joint venture with the Guangzhou City Tongda Highway Co. Ltd as PRC partner. CKI was introduced as the second foreign party at the initiative of HHI in 1997 when the Project was restructured to its current form. (See "The Road Projects — The Guangzhou E-S-W Ring Road"). The Western Delta Route was originally also covered by the joint venture arrangements for the GS Superhighway. The two routes were subsequently separated for independent development which has facilitated the creation of the Phase 1 West Project. (See "The Road Projects — Phase 1 West").

The Group's Projects follow the "Build-Operate-Transfer" or "BOT" model, and all the Sino-foreign co-operative joint ventures are in operation for a defined concession period at the end of which the fixed assets will be transferred to the PRC partners or government for nil consideration.

In addition to the projects it initiates, the Group will, in appropriate cases, consider other opportunities to participate in projects which are aligned with the Group's focus on strategically important road and related infrastructure projects. While the Group's primary focus is on Guangdong Province and the PRD, the Group's track record, connections and reputation may give rise to other opportunities in the PRC.

The Group's support for its projects will invariably include the full-time secondment of suitably experienced and expert professional personnel to strategic roles within the relevant joint venture company in accordance with the particular joint venture agreement. In addition, the Group maintains its own separate teams to monitor progress and performance of its Projects, which typically involves the assignment of senior HHI accounts and operational executives to cover one, or in some cases more than one, project on a full-time basis.

The Group's co-operative joint ventures are jointly controlled by the respective joint venture partners and no one partner has absolute control. Although the JV Contracts do not expressly confer on the Group any power of veto over the affairs of the JV Enterprises, the Group's joint venture arrangements typically require consensus among HHI and its joint venture partners in relation to major decisions such as changes in total investment or registered capital, financing arrangements, appointment of senior management, distribution of profits, changes to articles of association and insurance. HHI's overall experience in relation to its joint ventures has indicated that its joint venture contracts provide effective safeguards on significant decisions and changes and that, in practice, significant decisions are taken based on consensus among the joint venture partners. During the Track Record Period, the Group has not experienced any significant problems with its joint venture partners which have not been amicably resolved.

The Company has adopted a policy that, in general, the Group will only participate in closed system expressway projects (as opposed to open system highways), unless the size of the project makes it justifiable for the Group to do otherwise or if there are other special circumstances. Interests in two open system class I highway projects in Shunde have been retained by the Hopewell Group. (See "Relationship With The Hopewell Group").

PROJECT MANAGEMENT EXPERIENCE

HHI's project management team has substantial experience in constructing and operating large-scale PRC toll road and related infrastructure projects. The Group has a core group of professionals based in Hong Kong and the PRC who are actively involved in all aspects of the development and operation of the Group's various projects. HHI's experience in developing its projects in the PRC dates back to the late 1970s and early 1980s when the Hopewell Group was one of the first foreign companies to invest in infrastructure projects in the PRC.

FINANCING ARRANGEMENTS

The Group's Projects have been financed by a combination of registered capital and shareholders' loans provided by the Group and its joint venture partners and bank loans and other financing raised from external sources by the JV Enterprises.

The Group has provided registered capital and, with the exception of the Phase 1 West JV, shareholder loans to all the JV Enterprises in which it has invested. The shareholder loans advanced by the Group to the GS Superhighway JV have been repaid in full from the Project's cashflow and/or proceeds of re-financings arranged by the GS Superhighway JV.

At 31 May, 2003, the following amounts were outstanding in respect of registered capital or shareholder loans provided by the Group to its various JV Enterprises:

Project	GS Superhighway	Guangzhou E-S-W Ring Road	Phase 1 West
Registered Capital	HK$702 million	US$27.5 million	RMB294 million
Shareholder Loan	Nil	RMB979 million	Nil

Notes:

(1) The registered capital for the GS Superhighway JV was contributed in the amount of HK$702 million (equivalent to RMB471 million at the then prevailing exchange rate) and the registered capital for the Ring Road JV was contributed by the Group in US dollars. Pursuant to the relevant JV Contracts, such amounts are to be returned by the JV Enterprises in the currencies and amounts in which the respective contributions were made.

(2) The registered capital provided to the GS Superhighway JV confers entitlement to an accruing return linked to benchmark HK$ lending rates. Otherwise, none of these amounts bear interest or any equivalent entitlements.

(3) Subject to the terms of the Phase 1 West JV Contract to be entered into, the registered capital for the Phase 1 West JV is a commitment of which no less than 15% (the amount will be agreed between the parties when the Phase 1 West JV Contract is entered into) will become due no later than 90 days after the Phase 1 West JV is formally established on completion of the official approval process, and the remaining amount will be paid no later than three years after the establishment of the Phase 1 West JV according to progress of construction.

The JV Contracts typically provide for repayment of shareholder loans and registered capital from cash flow generated by the relevant JV Enterprise and, as between the joint venture partners, this entitlement normally ranks ahead of entitlement to profit distributions. However, the terms on which a JV Enterprise raises financing may contain restrictions affecting such payments.

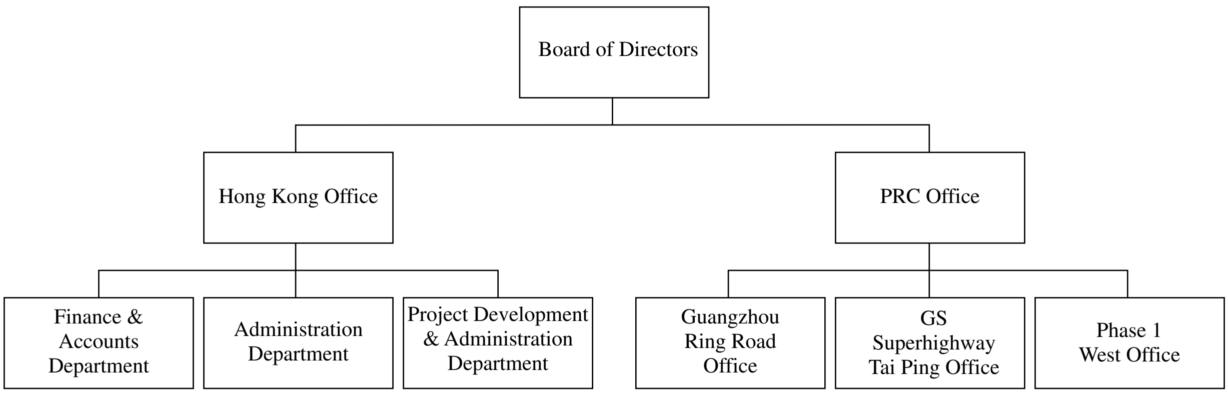
At 31 May, 2003, the Group had outstanding borrowings of HK$422.0 million being the outstanding balance of a secured bank facility arranged to partially finance the Group's investment in the Guangzhou E-S-W Ring Road Project, and advances from the Hopewell Group in the amount of HK$5,004.3 million of which HK$4,500.0 million was subsequently capitalised. The remaining balance of such bank facility and advances from the Hopewell Group will be repaid from the proceeds of the Offering.

Further details concerning these financing arrangements are contained in relevant parts of the section "The Road Projects", and in "Financial Information — Management's Discussion and Analysis".

ESTABLISHMENT

The Group's staff comprises 12 senior executives and other professionals, and 20 administrative and support staff. The Group has office premises in Room 64-02, 64th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. (See also "Directors, Senior Management and Staff" below).

The Group's organisational structure immediately following the listing is set out in the diagram below:



INFORMATION CONCERNING THE LISTING RULES

The respective JV Enterprises are jointly controlled by the relevant joint venture partners and no one partner has absolute control. For this reason, the JV Enterprises are not subsidiaries of the Company for the purposes of the Companies Ordinance or the Listing Rules, including for the purposes of Chapter 14 of the Listing Rules which restrict certain transactions by listed companies and their subsidiaries. However, Chapter 14 of the Listing Rules will apply on the normal basis to any transaction by any member of the Group with respect to or affecting its interest in the JV Enterprises. Accordingly (where relevant under Chapter 14 of the Listing Rules) certain disposals of interests in the JV Enterprises may require disclosure and/or the prior approval of the Company's shareholders. Moreover, the JV Contracts provide effective safeguards so that, in practice (among other things), significant decisions are taken based on consensus among the joint venture partners and HHI has access to all necessary information concerning the operations and finances of the JV Enterprises. The Company has agreed with the Stock Exchange that, after the Listing Date, the Group will comply with Chapter 14 of the Listing Rules and the general disclosure obligations under paragraph 2(1) of the Stock Exchange Listing Agreement, in each case as if the existing or future Sino-foreign co-operative joint venture enterprises jointly controlled by the Group which are operating or will in the future operate toll road and infrastructure projects of the Group (collectively, the "CJVs") were subsidiaries for such purposes, provided that Chapter 14 of the Listing Rules will not apply to any transactions pursuant to or for the purposes of implementing the JV Contracts, or any existing arrangements or dealings in relation to the Projects or the CJVs (the material ones of which are as disclosed in this prospectus, including entering into the proposed Phase 1 West JV Contract and the proposed arrangements and dealings in relation to the Phase 1 West JV and all transactions in connection with the joint venture contracts in relation to the CJVs, as disclosed in this prospectus), as may be varied from time to time. However, any variation of such contracts or arrangements which affects the Group's economic interest in the CJVs by more than 3% of the consolidated net tangible assets as disclosed in the latest published accounts of the Company will be subject to Chapter 14 of the Listing Rules. Pursuant to letters dated 16 June, 2003, each of GS Superhighway JV and Ring Road JV has undertaken to provide the Group with full access to relevant information to enable the Company to discharge its disclosure obligations. The Company will procure a similar undertaking from the Phase 1 West JV at an appropriate time after the establishment of the JV Enterprise.

Based on discussions with its PRC joint venture partners, the Company is not aware of any current intention of the PRC joint venture partners to put forward the Projects now included in the Group as the basis for a listing of another entity or to obtain a listing of their interests in the JV Enterprises.

INSURANCE

Each of the JV Enterprises maintains insurance cover which the Directors consider, based on the advice of the Group's insurance advisers, to be appropriate to the operations and circumstances of the particular Project. All of the JV Enterprises which operate completed roads maintain cover which includes public liability, property all-risk and money all-risk cover. The Phase 1 West Project (and, when established, the Phase 1 West JV) has the benefit of construction all-risk and third party liability cover in respect of the Project's development. These insurances are typically one or two year policies renewable in accordance with normal industry practice and are subject to exclusions and limitations on amounts insured. Following consideration of advice from its insurance advisers, the Directors believe that these insurance arrangements, and the Group's own insurance cover, are adequate and conform to insurance programs customary for operators and developers of toll roads within the PRC and, in the case of the Group, its particular circumstances. No insurance claims were made by the Group during the Track Record Period.

LAND USE RIGHTS AND PROPERTY INTERESTS

The GS Superhighway JV has yet to obtain certificates of building ownership for units in Jiaxing Building which it is entitled to own. In its valuation report in Appendix IV, FPD has valued these units at HK$26.6 million, representing approximately 0.1% of total fixed assets of GS Superhighway JV. Additionally, land use rights certificates for those sections of the Guangzhou E-S-W Ring Road within Guangzhou remain to be obtained by the Ring Road JV. Such land has been acquired pursuant to a land acquisition agreement between the Ring Road JV, the Ring Road PRC Partner and a PRC authority. The Group is in the process of obtaining the outstanding land use rights certificates for these sections of the Guangzhou E-S-W Ring Road and the Company considers it to be a matter of normal practice that these land use rights certificates be applied for at the current stage of this Project. All material approvals for the Guangzhou E-S-W Ring Road Project have been obtained except for the land use rights certificates as described above. The application for the land use rights certificates is usually the last set of approvals to be applied for in a PRC toll road project which normally takes place after the road and the ancillary works, such as connection to feeder roads, are fully completed and the warranty periods in the construction contracts have expired. In the case of the Guangzhou E-S-W Ring Road, the warranty period expired in late 2002 and the application process for the land use rights certificates commenced at around the same time. The Company estimates that it may take a further 6 to 12 months or more to obtain these certificates. The total length of the sections in question accounts for approximately 31 km of the Guangzhou E-S-W Ring Road's total length of approximately 38 km and there is no practicable basis for valuing these sections of the Guangzhou E-S-W Ring Road on a stand-alone basis. Pursuant to a deed of indemnity entered into between the Hopewell Group and the Company, the Hopewell Group has agreed, conditional upon the commencement of dealings in the Shares on the Stock Exchange, to indemnify the Company against any liabilities and penalties imposed on the Group if the Ring Road JV is unable to obtain the outstanding land use rights certificates for the Guangzhou section of the Guangzhou E-S-W Ring Road after having taken all necessary actions to obtain them (such actions include but are not limited to paying all fees, charges, premiums and costs, and incurring all expenses, which are necessary for obtaining the certificates).

The Company has obtained a legal opinion from Haiwen & Partners, its legal adviser on PRC law, with respect to the land use rights of the Group's JV Enterprises stating that there is no significant impediment to their business operations and, save as disclosed in this section, each of GS Superhighway JV and Ring Road JV has obtained all relevant land use rights certificates for the land used for the purpose of expressways. Each of GS Superhighway JV and Ring Road JV has also obtained all building ownership certificates for its buildings which require such certificates. Further, the legal opinion states that there is no legal impediment to obtaining the remaining land use rights certificates for the Guangzhou E-S-W Ring Road. As Phase 1 West JV is in the process of being established and constructed, relevant land use rights certificates will be applied for in due course after construction has completed. All necessary approvals for the use of the required land for the construction of the Phase 1 West Project have been granted.

The valuation report of FPD, an independent valuer, with respect to the property interests of the JV Enterprises and the Group and the text of its letter, summary of values and valuation certificate are set out in Appendix IV "Property Valuation".

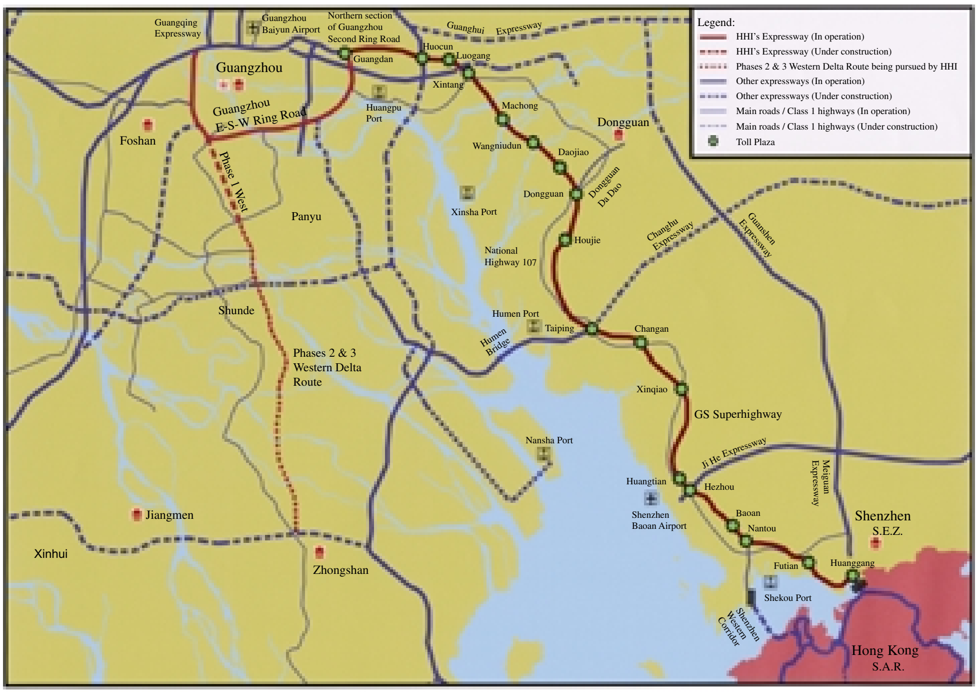
ENVIRONMENTAL CONSIDERATIONS

Environmental protection in the PRC is governed by the Law of Environmental Protection and a number of related regulations covering air pollution, air quality, water and ocean pollution and hazardous substances. Local governments are encouraged to supplement the central government's regulations with local laws and standards to suit the local situation. In addition, the JV Enterprises in which the Group has interests are subject to a number of regulations specifically applicable to infrastructure companies. Although these laws and regulations relate principally to pollution and hazardous substances, the Group's Projects may have an impact on the natural environment due to the presence of the highways, and the large-scale works involved in maintaining and repairing highways. The Company is not aware of any material breach of these laws or regulations by the JV Enterprises during the Track Record Period.

THE GUANGZHOU-SHENZHEN SUPERHIGHWAY

The Company has an indirect interest in the GS Superhighway which links Guangzhou, the capital of Guangdong Province, to Shenzhen and Hong Kong. The GS Superhighway runs from Guangdan in Guangzhou to the Hong Kong-Shenzhen border crossing at Huanggang in Shenzhen. The Company's interest in the GS Superhighway is held through a Sino-foreign co-operative joint venture established in partnership with Guangdong Provincial Highway Construction Company.

The Road



Guangzhou-Shenzhen Superhighway

Key Data

Route	Guangdan in Guangzhou to Huanggang in Shenzhen
Total Length	122.8 km
Classification	Expressway
Number of lanes	Dual 3 lanes
Design speed	120 km per hour
Toll system	Closed system
Number of toll plazas	18
Number of interchanges	18 (including barriers at both ends)
Joint venture partner	Guangdong Provincial Highway Construction Company
Concession period	30 years from 1 July, 1997
Status	Fully operational, collecting tolls

As the first and currently the only expressway directly connecting Guangzhou, the capital of Guangdong Province, with Shenzhen and Hong Kong, the GS Superhighway is a major artery in the developing PRD highway network, forming a North-South corridor of economic activity.

The GS Superhighway is a closed system expressway with 18 interchanges which are all fully operational. A toll plaza is located at each of these interchanges. Its dual three lane carriageways are asphalt-paved, with emergency parking shoulders in each direction, and have a design speed of 120 km per hour. The maximum speed limit is 110 km per hour. The expressway has been equipped with an emergency phone system (with emergency telephones every 2 km), a lighting system and closed circuit television system along the full length of the expressway, twelve electronic message display panels to provide information to drivers en route and an optical fibre system for the transmission of data from the toll booths to the management centre. Three petroleum filling stations have been developed by licensees of GS Superhighway JV along the expressway.

The GS Superhighway has been collecting tolls since its trial operation in July 1994. Its official opening on 1 July, 1997 marked the commencement of the project concession period.

Destinations and Major Connections

The GS Superhighway route forms a major economic corridor between Guangzhou, the capital of Guangdong Province, and Shenzhen and Hong Kong. The expressway takes in the major cities of Guangzhou, Dongguan and Shenzhen, reaching Hong Kong at the Shenzhen border.

Many populous and/or industrial towns such as Futian, Baoan, Songgang, Changan, Taiping, Houjie, Shigu, Luogang and Xintang are connected to the expressway's 18 strategically placed interchanges. The GS Superhighway also provides a link to various important facilities such as the Shenzhen Baoan Airport, the Huangpu port, Humen port and Xinsha port and the new Guangzhou International Airport at Huadu scheduled to open by mid-2004.

In addition to serving the towns and facilities in its immediate corridor, the expressway is well connected to the other major highways in the PRD. In particular, the GS Superhighway provides the only expressway connection between Shenzhen and the Humen Bridge which connects the eastern and western banks of the Pearl River. For this reason, it is the most important route for traffic between Shenzhen and locations in the western and south-eastern parts of the PRD.

Other major feeder road connections include the Ji He Expressway (connecting with the Shenzhen Baoan Airport and Heao, leading to Shantou via the Shenshan Expressway), Changhu Expressway (which will connect with Changpeng and Humen port), Dongguan Da Dao (connecting with the centre of Dongguan), Guangyuan East Expressway (connecting with eastern Guangzhou), the Guangzhou Second Ring Road (the completed northern section of which will connect with the new Guangzhou International Airport at Huadu, and the eastern section of which will connect with eastern Guangzhou and Panyu), the Guangzhou Ring Road and National Highway 107. All are fully operational, except for Changhu Expressway and the Guangzhou Second Ring Road.

The GS Superhighway route is well positioned to benefit from significantly improved border crossing efficiency now that the Huanggang border crossing with Hong Kong has been opened on a 24 hour basis since 27 January, 2003.

At Guangzhou, the GS Superhighway connects with the eastern end of the Guangzhou E-S-W Ring Road.

Initiation and Promotion of the Project

The GS Superhighway Project was formulated in the mid-1980s as Hopewell was pushing forward with its vision of an integrated PRD highway network following the PRC's economic reforms of the late 1970s. The Project resulted from initiatives of Hopewell outlined in a proposal letter submitted to the Guangdong Provincial Government in December 1978. The original highway proposals covered a route connecting Guangzhou with both Shenzhen and Zhuhai, including certain sections now encompassed by the Western Delta Route. The same proposal letter contained the original idea for what is now the Guangzhou E-S-W Ring Road.

The GS Superhighway was a groundbreaking project giving rise to numerous novel and complex considerations. Formal proposals for the GS Superhighway Project were encapsulated in a letter of intent entered into with the PRC partner in June 1981. Following completion of the feasibility study, preliminary approval for the Project was obtained in 1984 and the joint venture was formally established in April, 1988. The process of arranging financing was lengthy and complex due to the novelty of project finance in the PRC at that time and the US$800 million syndicated loan for the financing of the project was finally signed in March 1991. The full construction programme commenced after closing of the financing arrangements in 1992, and trial operation began in 1994.

Throughout this process, HHI had taken the lead role in the initiation and promotion of the Project, including negotiation of the concession rights established by the JV Contract and the construction contracts, and in arranging financing for the Project (see "Joint Venture and Project Management Arrangements" below).

The joint venture arrangements for the GS Superhighway originally also included an expressway route across the western PRD between Guangzhou and Zhuhai. The two projects were subsequently separated for independent development, and the western route was revised to what is now the Western Delta Route. This has facilitated the creation of the Phase 1 West Project (see "The Road Projects — Phase 1 West").

Joint Venture and Project Management Arrangements

As with all foreign invested projects in the PRC, the GS Superhighway Project conforms to a permitted form of investment structure. The Project has been established by the Group as a Sino-foreign co-operative joint venture in partnership with Guangdong Provincial Highway Construction Company as HHI's PRC partner. The PRC partner is a state-owned enterprise under the administration of Guangdong Provincial Communication Company (Group) Limited. Guangdong Provincial Communication Company (Group) Limited is a state-owned enterprise established by the Guangdong Provincial Government which primarily engages in the investment, construction, supervision and operation of major transportation and infrastructure projects in Guangdong Province.

The GS Superhighway JV was established by HHI GS Superhighway Co and the GS Superhighway PRC Partner pursuant to the GS JV Contract entered into on 20 April, 1987 (and subsequently amended) for the purpose of the construction, operation and management of the GS Superhighway. Under PRC law, the GS Superhighway JV is a separate joint venture enterprise with limited liability, and the liability of each joint venture partner with respect to the GS Superhighway JV is limited to the amount of registered capital which it has committed to provide.

The GS JV Contract establishes a Sino-foreign co-operative joint venture according to applicable PRC law. The co-operative joint venture model affords flexibility in structuring the project investments and in determining the rights, liabilities and obligations of the joint venture partners, with their respective entitlements to share in profits of the GS Superhighway JV being governed by the GS JV Contract. During the 30 year concession period established by the GS JV Contract, and which commenced on 1 July, 1997, HHI GS Superhighway Co is entitled to share the profits of the GS Superhighway JV calculated in accordance with the GS JV Contract as to 50% for the first ten years, 48% for the next ten years and 45% for the final ten years.

HHI took a lead role in the initiation, promotion, financing, construction, development and operation of the Project, including negotiation of the concession rights established by the JV Contract, and the construction contracts, and in arranging financing for the Project. The position of general manager, which carries key responsibilities in relation to ongoing management functions, has been held by Hopewell's Chairman, Sir Gordon Wu, since the establishment of the GS Superhighway JV in 1988. At the operational level, Sir Gordon Wu has delegated his duties as general manager to another full-time employee of HHI who serves as acting general manager of the GS Superhighway JV. Sir Gordon Wu's appointment as general manager has no fixed term.

Under the GS JV Contract, HHI GS Superhighway Co is entitled to appoint five of the ten directors of the GS Superhighway JV. Unanimous board approval is required for major decisions such as appointment and removal of the general manager, changes in the total investment and registered capital, insurance, financing, distribution of profits, and changes to the articles of association. A meeting of the board shall be attended by at least 60% of the directors.

Project Concession

The GS Superhighway JV has a concession period of 30 years from 1 July, 1997. At expiration of the concession period, all fixed assets owned by it will be transferred to the GS Superhighway PRC Partner for zero consideration and the GS Superhighway JV will be dissolved. On dissolution at the end of the concession period, the parties will participate in any residual surplus assets according to their respective profit sharing ratios at that relevant time.

Financing

Financing arrangements

The GS Superhighway JV is a joint venture enterprise established under PRC law and has a registered capital of RMB471 million contributed entirely by the Group through HHI GS Superhighway Co in the amount of HK$702 million determined according to the exchange rate prevailing at the time of contribution.

The initial budgeted project cost of the GS Superhighway was approximately US$1,150 million. This was to be funded by a combination of HK$702 million (approximately US$90 million) of registered capital, and HK$858 million (approximately US$110 million) and US$50 million in shareholder's loans from HHI GS Superhighway Co, together with various bank borrowings including an original syndicated project finance facility of US$800 million (the "Original Syndicated Facility") taken out in 1991 by HHI GS Superhighway Co and on-lent to the GS Superhighway JV. Following improvements in design, and in order to reduce maintenance costs, the Group made an additional investment of approximately RMB6 billion to fund the elevation of some sections (in total over 30 km) of the expressway in north Dongguan and between Dongguan and Shenzhen and the expansion of various interchanges, including additional foundation and tunnel works, and the acquisition of certain additional land required. As a result of this additional contribution, HHI GS Superhighway Co was granted an increase in its profit sharing ratio (as reflected in the current entitlements) and was credited with an additional shareholder loan of approximately RMB2.5 billion. The GS Superhighway PRC Partner has also agreed in principle for HHI GS Superhighway Co to have certain contingent economic entitlement in property developments within certain of the GS Superhighway's interchanges. (See "Property Development" below).

In January, 2001, as part of a refinancing exercise, the outstanding balance of the Original Syndicated Facility as on-lent to the GS Superhighway JV was prepaid in full from the proceeds of a new loan obtained by the GS Superhighway JV from a PRC bank. In February, 2002, approximately US$684 million of the shareholder loans provided by HHI GS Superhighway Co was also repaid from the proceeds of another loan facility from the same PRC bank. As at 31 May, 2003, the outstanding amounts under the main loan facilities taken out by the GS Superhighway JV were approximately: (i) US$955 million outstanding under the two facilities from a PRC bank in relation to the prepayment of the Original Syndicated Facility and repayment of shareholder's loan as mentioned above (the "Principal Facility"); (ii) US$33 million outstanding under a loan facility from the same PRC bank made available in connection with a guarantee relating to the original project financing arrangements; and (iii) RMB510 million owed to the same PRC bank under a facility taken out in May, 2003 to refinance amounts previously borrowed for purposes of the original land acquisition costs (the "Land Acquisition Facility"). The Principal Facility is repayable over a period of ten years from 2002 to 2011, while the Land Acquisition Facility will mature in 2011. The other facilities have maturities ranging from 2003 to 2008. Other outstanding indebtedness of the GS Superhighway JV at 31 May, 2003 included: (i) approximately

RMB169 million owed to one of the Project's construction contractors in respect of certain additional construction costs resulting from the design improvements; and (ii) RMB16.1 million owed to the GS Superhighway PRC Partner for original land acquisition cost (see "Financial Information — Management's Discussion and Analysis — Statement of Indebtedness").

Restrictions on distributions and repayment of registered capital

As part of the restrictions under the Principal Facility and the Land Acquisition Facility, the GS Superhighway JV may only distribute profits if it has deposits of no less than RMB50 million in bank accounts which have been charged to the lender and if the lender has given its approval. Further, 80% of the remaining cash in these accounts after allowing for the amount required for operating expenses, debt servicing and the RMB50 million deposit as mentioned above would be permitted as profit distributions. Except with the approval of the lender, the remaining 20% may not be used for any purpose other than scheduled debt service payments or additional prepayments.

Under the terms of the GS JV Contract, in addition to its entitlement to share in profit distributions, HHI GS Superhighway Co is entitled to the repayment of its HK$702 million registered capital contribution out of the GS Superhighway JV's net cash flow after the payment of various items such as operating expenses, tax and debt service obligations, all as stated in the GS JV Contract. However, this is also subject to the terms of the GS Superhighway JV's Principal Facility which prohibit repayment of registered capital prior to full repayment of the Principal Facility. The GS JV Contract provides for a return on the major part of HHI GS Superhighway Co's registered capital contribution at rates which have been set to track the HKD prime lending rate. These payments are subject to approval from SAFE. The first payment for the accrued returns up to 31 December, 2001 was made to HHI GS Superhighway Co in April, 2003 with SAFE approval. This requirement to obtain SAFE approval does not apply to profit distributions. Further payment for accrued returns may not be made until the GS JV Contract has been amended as requested by SAFE. Application for approval of such amendment has not yet been made.

Operations

Toll collection

The toll collection system for the GS Superhighway is in the form of a closed system with computerised toll validation.

When a driver enters GS Superhighway at an interchange or barrier, an encoded ticket (either magnetic or IC card) will be issued at the entry gate of the toll plaza, and upon exiting the driver pays the toll charge based on the type of vehicle and distance travelled. All transactions are recorded by the computers at the relevant toll plaza office and transmitted to the central toll information centre for auditing and recording. The toll information centre is located at the management and operation centre in Taiping, Dongguan. The computer system enables accurate records of the value of tolls received and assists in minimising fraud. At the same time, traffic information can be obtained including the time, numbers and types of vehicle entering/exiting at each interchange and barrier. In addition, closed circuit television cameras are installed in each toll lane, toll plaza and inside each exit toll booth. The supervisor at the toll plaza office can monitor the toll collection activities and the vehicles passing through the closed circuit television monitors.

The toll collection system originally installed by the GS Superhighway utilised magnetic cards. The GS Superhighway JV is in the process of upgrading this system to permit the use of contactless integrated circuit card ("IC card") technology. The IC card, which will be issued to drivers entering the system instead of the older magnetic cards, will enhance efficiency by reducing processing time for toll payments, and will enable more effective capture of road usage data. The IC card technology has proven reliability and has been fully tested. All toll plazas for the Shenzhen to Guangzhou carriageway were fully upgraded with the IC card system during 2001/2002, and all the toll plazas for the Guangzhou to Shenzhen carriageway are scheduled to be similarly upgraded by the end of 2003.

As part of the toll collection procedures, data analysts at the toll information centre reconcile cash receipts against the computer's records at the end of each day. Any shortfall in cash receipts is required to be made up by the toll collector. Daily cash receipt reports are generated by the computer to record the cash receipts of that day and the details of the bank deposit slips are then reconciled to the daily cash receipt report to ensure the cash receipts have been properly deposited into the bank.

Recent developments

Proposals have been announced for the phased introduction in Guangdong Province of new toll collection arrangements aimed at increasing traffic efficiency on toll expressways in the province. The new arrangements are expected to involve the introduction, in parallel with existing toll collection systems, of a provincial toll pass which can be used for all toll expressways in Guangdong Province, and the establishment of non-stop toll lanes. A centralised administrative agency will also be established by the Guangdong Provincial Government to issue passes, collect payment and distribute associated toll entitlements to operators of participating expressways. These proposals would not affect the basis on which toll rates for the Group's roads are set (see "Revenues" below).

The proposals will be implemented during 2004, and this will require the Company gradually to adapt its toll plazas to accommodate dedicated toll pass lanes operating in parallel with the Company's cash toll booths. The new arrangements are also likely to involve the Company modifying its computerised toll-collection system.

The proposals apply to all toll expressways within Guangdong and discussions concerning the detailed terms and implementation of the new arrangements are continuing between the relevant provincial government authorities and the various expressway operators. Introduction of the new arrangements by the Company will inevitably involve capital expenditure on system modification (including the installation of non-stop toll lanes) and will change the arrangements by which the JV Enterprises receive toll receipts in respect of vehicles using toll passes.

Management and operational staff

The most important roles in the management and operation of the expressway are those of the general manager, chief engineer, chief accountant and their respective deputies. The general manager is responsible for the day-to-day operation and management of the GS Superhighway JV subject to the terms of the GS JV Contract. The position of general manager has been held by Hopewell's Chairman, Sir Gordon Wu, since the establishment of the GS Superhighway JV in 1988. At the operational level, Sir Gordon Wu has delegated all his duties as general manager to a full-time employee of HHI who serves as acting general manager of the GS Superhighway JV. Under the GS JV Contract, the appointment and removal of the general manager requires an unanimous vote of the board of directors of GS Superhighway JV present at a board meeting.

GS Superhighway JV has five deputy general managers who are responsible for assisting the general manager. Of these five deputy general managers, HHI has nominated two who are both responsible for overall corporate management. The other three, responsible for, respectively, general administration, general operations, and maintenance, are nominated by the PRC partner. GS Superhighway JV has approximately 1,700 employees excluding secondees from the Group.

Traffic management

The Company believes that effective traffic management, aimed at facilitating convenient, fast and safe transit, is key to maximising toll receipts and maintaining the GS Superhighway's status as a prime route of choice, particularly having regard to the expected increase in traffic volume. The Company believes that the four factors which principally contribute to congestion and delay are accidents, heavy traffic flow (either generally or at specific pressure points), insufficiency of toll booths at entry or exit points, and lane restrictions resulting from repair and maintenance works. The Company's operational strategies aim to mitigate the problems liable to arise from these factors, based on forward planning and anticipation of demand.

Traffic surveillance and telecommunication facilities consist of emergency phones, traffic counting stations, changeable message boards and closed circuit video cameras placed at intervals along the whole expressway. These facilities enable the GS Superhighway JV to monitor traffic conditions efficiently. Lighting facilities have also been installed along the GS Superhighway and at the 18 interchanges. The GS Superhighway JV makes efforts to liaise and co-operate with traffic police and has established what it considers to be efficient and beneficial working relationships with the traffic police as a result. Traffic police officers are stationed at the management centre of the GS Superhighway and will be able to respond to any emergency without delay.

The GS Superhighway JV closely monitors traffic volume and flow along the expressway. High volumes have been occurring at the Huangtian and Hezhou sections during peak hours. In order to avoid congestion from increased traffic to and from the Shenzhen Baoan Airport, the GS Superhighway JV has decided to expand a 2.7 km long section of the expressway between Hezhou and Huangtian to provide four lanes in each direction. This expansion project started in the first quarter of 2003 and is anticipated to be completed by the end of 2003 at a total cost estimated to be in the region of RMB10 million.

Interchanges along the expressway are regularly upgraded to provide better connections with local roads and the regional network as they develop. Recent examples include the realignment of the Dongguan interchange to allow better connection to the Dongguan Da Dao in 2001. Expansion work to increase the number of toll lanes is currently being undertaken at the Nantou and Huangtian toll plazas due to the high level of traffic at these interchanges. Unlike establishment of new toll plazas, which involves significant approval requirements, the addition of toll booths to an existing toll plaza is a comparatively straightforward process. The GS Superhighway JV has land use rights to accommodate the additional toll lanes at the Nantou and Huangtian interchanges, and the expansion works at these interchanges are expected to be completed by the third quarter of 2003.

Regular maintenance works are typically scheduled so as to cause minimum disruption to traffic. In connection with the current re-surfacing program (see "Major repairs and improvements" below), special traffic diversion measures are being implemented with a view to minimising disruption to traffic on the GS Superhighway. The Company believes that, to date, this major up-grade has had little detrimental effect on overall traffic volumes and expects the exercise to result in significantly reduced maintenance in the short to medium term.

The GS Superhighway JV was awarded ISO9001-2000 management standards in July 2002.

Major repairs and improvements

As operator of the expressway, the GS Superhighway JV is responsible at its own cost for the maintenance and repair of the expressway throughout the concession period. The GS Superhighway JV operates an annual budgeting process covering anticipated operating expenses, repair and maintenance costs and any other capital expenditure for the year in question. HHI has always been closely involved in the preparation and subsequent monitoring of the annual operating budget, which is required to be approved by the board of directors of the GS Superhighway JV. Since official opening of the GS Superhighway in 1997, there have been no incidences of material budget overruns or material unforeseen capital expenditure requirements.

The GS Superhighway JV has recently commenced a programme for accelerated repaving of the GS Superhighway with high specification asphalt paving which is expected to be completed during 2004. Although the original paving would have lasted for up to a further seven years, the Directors believe that the Group will benefit from the accelerated repavement program when short-term cost and disruption is balanced against medium term benefits, with the objective of maximising total return from the projected increase in traffic volumes over the full concession period. The repaving exercise is expected to have a beneficial effect on future operating and maintenance costs once completed.

The repaving program is to be carried out in stages. The first stage covering the non-elevated section of approximately 40 km between Guangzhou and Changan was completed in January, 2003. The remaining stage covering a section of approximately 60 km is expected to be completed during 2004. Special traffic diversion measures have been adopted with the aim of minimising disruption to traffic.

The costs of the first stage of the re-paving programme amounted to approximately RMB110 million and were fully covered by operating cashflow.

Revenues

The revenues of the GS Superhighway JV are substantially comprised of toll receipts collected at toll plazas located at each of the interchanges and barriers. Toll rates for expressways in Guangdong Province are approved by the Guangdong Provincial Price Bureau and Guangdong Provincial Communications Bureau in the form of a rate per km travelled based on vehicle classification and a stepped scale in multiples of the base charge for the smallest category of vehicles. Toll receipts are therefore principally dependent on traffic volume by vehicle categories, applicable toll rates and distance travelled.

Toll rates

The toll rates currently payable by vehicles using the GS Superhighway are:

Class	Vehicle Category	Number of axles	Number of wheels	Height of vehicles at first axle (in metres)	RMB per km
1	Cars, jeeps, passenger/cargo vans in the form of taxis, motorcycles	2	2-4	<1.3	0.60
2	Vans, small passenger/cargo vans and light trucks	2	4	≥1.3	1.20
3	Medium sized vans, large cars and medium sized trucks	2	6	≥1.3	1.80
4	Large luxurious cars, large trucks, heavy trailers, 20 ft. container trucks	3	6-10	≥1.3	2.40
5	Double deck cars, heavy trucks, heavy trailers, 40 ft. container trucks	>3	>10	≥1.3	3.00

These toll rates, which are based on multiples of 1, 2, 3, 4 and 5 times the base charge for Class 1 vehicles, have been approved by the authorities responsible for transportation and price within the Guangdong Provincial Government. The GS Superhighway JV may propose or apply for rate changes at any time. Factors taken into account by the government authorities when setting toll rates or rate changes can include size of project, loan repayment terms and schedule, traffic flow, concession period, and affordability. Since the commencement of operations, the GS Superhighway JV has applied to the relevant PRC authorities for toll rate increases in 1996 and 1997. Both applications were successful and the standard toll rate for class 1 vehicles was increased from RMB0.40 per km to RMB0.50 in 1996 and RMB0.60 in 1997, resulting in corresponding increases in the rates for other classes of vehicles based on the same multiples. No applications for toll rate increases have been rejected, and no further applications for any toll rate increase have been made since 1997.

Certain categories of vehicle are exempt from paying toll charges. The exempt categories currently include vehicles bearing military registration plates, fire engines, police vehicles, ambulances, as well as vehicles which are exempt from paying tolls as approved by the Guangdong Provincial Government. Vehicles exempt from payment of tolls accounted for 3.7% of the total traffic for the year ended 31 December, 2002.

When the GS Superhighway opened, it was permitted that tolls for vehicles from Hong Kong could be charged in Hong Kong dollars. In accordance with a notice issued jointly by the Guangdong Provincial Price Bureau and Guangdong Provincial Communications Bureau in 2002, in order to fulfil certain requirement for the PRC's accession to the WTO, tolls have been collected only in RMB commencing from April 2002. Currently, approximately 6.8% of the cross-border traffic is from Hong Kong.

Historical traffic flow and toll receipts

GS Superhighway has been experiencing increasing traffic flows and toll receipts since it first opened on a trial basis in 1994 as illustrated in the following table.

	1995	2000		2001		2002		2003(3)		CAGR(2)
			Year(1) on year growth		Year(1) on year growth		Year(1) on year growth		Year(3) on year growth	
Average daily tolled traffic flow (no. of vehicles)	48,678	103,388	19.2%	114,930	11.2%	136,612	18.9%	162,998	30.3%	15.9%
Toll receipts (RMB million)	648	1,733	19.1%	1,825	5.4%	1,974	8.1%	1,073	14.4%	17.2%

Notes:

(1) Year-on-year growth represents percentage change compared to the previous calendar year.

(2) Compound annual growth rates ("CAGR") are calculated from 1995, being the first complete calendar year of operations, up to and including 2002.

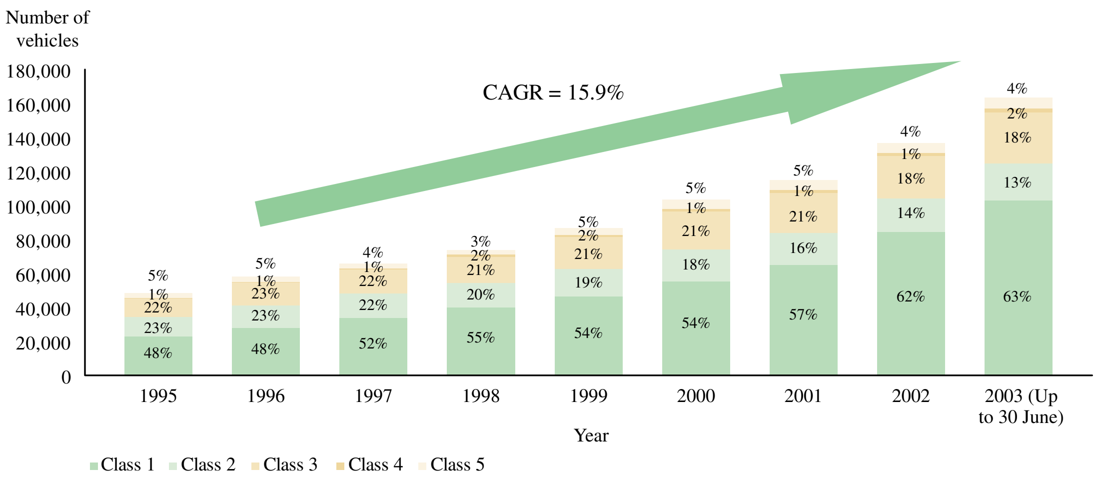
(3) The statistics for 2003 cover the first six months of the year and are compared with the corresponding period in 2002. As the above information is presented on a calendar year basis, the first six months of 2003 cover the second six months of the financial year ended 30 June, 2003.

Trends

In recent years, growth in GDP and private vehicle ownership within Guangdong Province has fuelled the growth in traffic flow on the GS Superhighway. While there has been consistent growth in both commercial vehicle traffic (mainly represented by Class 2 to 5 vehicles) and private vehicle traffic (mainly represented by Class 1 vehicles) the recent pattern of growth has been weighted towards private vehicles. This can be attributed to growth in personal wealth and, more recently, to the availability of consumer credit for purposes of vehicle purchases. The Company expects various measures adopted by the PRC government pursuant to its accession to the WTO to increase the affordability of vehicles consistent with this trend.

The following tables illustrate increases in traffic flow and changes in traffic mix on the GS Superhighway by calendar year, and a more detailed monthly comparison of average daily toll receipts and average daily tolled traffic flow for the most recent two financial years ended 30 June, 2002 and 30 June, 2003.

GS Superhighway
Average Daily Tolled Traffic Flow



Notes:

(1) The various vehicle categories for GS Superhighway are as follows: Class 1 (cars, jeeps, passenger/cargo vans in the form of taxis, motorcycles), Class 2 (vans, small passenger/cargo vans and light trucks), Class 3 (medium sized vans, large cars and medium sized trucks), Class 4 (large luxurious cars, large trucks, heavy trailers, 20 ft. container trucks), Class 5 (double deck cars, heavy trucks, heavy trailers, 40 ft. container trucks).

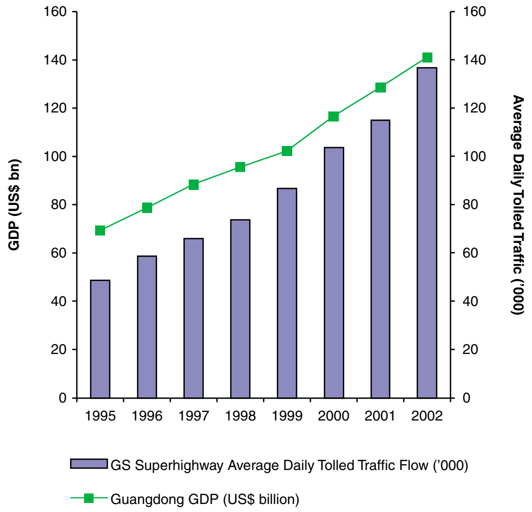
(2) CAGR for GS Superhighway is calculated from and including the first complete year of operation in 1995 up to and including 2002.

Growth in monthly average daily toll receipts and monthly average daily tolled traffic flow

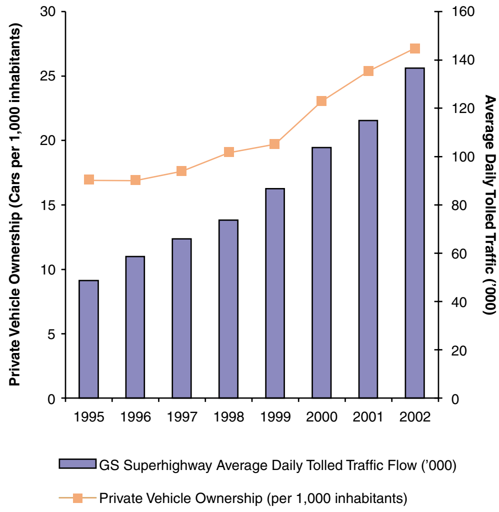
	Average Daily Toll Receipts (RMB '000)			Average Daily Tolled Traffic Flow		
Month	**2001**	**2002**	**% Growth**	**2001**	**2002**	**% Growth**
July	5,032.9	5,373.0	6.8%	115,049	136,480	18.6%
August	5,373.1	5,686.0	5.8%	122,738	145,968	18.9%
September	5,492.2	5,725.7	4.3%	126,596	148,773	17.5%
October	5,180.7	5,622.8	8.5%	121,009	148,572	22.8%
November	5,070.3	5,598.7	10.4%	121,842	150,646	23.6%
December	4,971.2	5,773.9	16.1%	120,694	157,156	30.2%
	2002	**2003**	**% Growth**	**2002**	**2003**	**% Growth**
January	4,961.3	6,301.6	27.0%	121,742	167,521	37.6%
February	5,022.1	5,703.9	13.6%	114,304	148,573	30.0%
March	5,377.5	6,222.6	15.7%	129,193	172,856	33.8%
April	5,472.4	6,036.7	10.3%	133,611	166,015	24.3%
May	5,168.3	5,367.1	3.8%	125,746	150,454	19.6%
June	5,081.7	5,933.7	16.8%	125,377	171,544	36.8%

The following tables illustrate growth in GDP, private vehicle ownership within Guangdong Province and increases in traffic flow on the GS Superhighway by calendar year.

**GS Superhighway Traffic vs.
Guangdong GDP**



**GS Superhighway Traffic vs.
Guangdong Private Vehicle Ownership**



Notes:

(1) GDP refers to gross domestic product of Guangdong Province according to the Guangdong Statistical Yearbook.

(2) Private vehicle ownership represents the number of civilian vehicles privately owned per 1,000 inhabitants according to the China Statistical Yearbook, 1996, 2001 and 2002.

(3) Private vehicle ownership for 2002 is extrapolated based on compound annual growth from 1995 to 2001.

(4) Traffic flow refers to average daily tolled traffic flow on the GS Superhighway and traffic mix is the composition of that same traffic.

Recent developments

There have been recent proposals by the Guangdong Provincial Government to implement uniform toll rate multiples for expressways throughout Guangdong Province. According to a notice issued by the Guangdong Provincial Government on 31 July, 2001, the new toll rate multiples to be adopted in respect of the 5 different classes of vehicles shall be 1, 1.5, 2, 3 and 4 times the base charge for Class 1 vehicles and existing expressways are required to adopt the new toll rate multiples by August 2006. However, pursuant to a recent notice issued by the Guangdong Provincial Government on 22 May, 2003, existing expressways which had toll rates approved before 31 July, 2001 and which have not yet adopted the new toll rate multiples no longer have to adopt the new toll rate multiples. As such, the GS Superhighway's toll rates remain unaffected by the recent proposals.

Other income

The GS Superhighway JV generates a comparatively small amount of additional revenues from a combination of franchises for re-filling stations, rescue services and advertising boards. Revenues from these sources in the financial year ended 30 June, 2002 amounted to approximately RMB22.2 million in total. The Company is not planning, and does not expect, significant growth in these areas.

Interchanges

GS Superhighway currently has 18 interchanges which are strategically placed to connect GS Superhighway to the major connecting roads linking the highly populous and industrial regions in the PRD. A toll plaza is placed at each of these interchanges.

The predominant mode of transport in the PRC is public transport, particularly buses. In order to maximise the efficiency of transfer between different modes of road transport, e.g. car to bus, 9 interchanges along the GS Superhighway were enlarged and elevated to accommodate facilities such as bus stations, petrol filling and service stations, carparks and other property development purposes.

Competition

Early entry advantage

The GS Superhighway is the first and currently the only expressway directly connecting Guangzhou, the capital of Guangdong Province, with the highly populous municipalities of Dongguan and Shenzhen, and Hong Kong.

Build-up along route

When the GS Superhighway was completed, it substantially reduced the average travel time between Guangzhou and Shenzhen. For industries seeking to establish or relocate within the PRD, there were obvious attractions in selecting locations having ready access to the only artery. Accordingly, the long term significance of the route has increased with the growth of surrounding towns and facilities, and the clustering of population, industry and services in areas within the vicinity of the route.

Established connections and feeder flow

The GS Superhighway is now supported by major feeder roads connecting with many of the most highly populous and important industrial regions, airports, ports and other facilities in the PRD. Major feeder road connections include the Ji He Expressway (connecting with the Shenzhen Baoan Airport and Heao, leading to Shantou via the Shenshan Expressway), Humen Bridge (connecting with the eastern and western banks of the Pearl River), Changhu Expressway (which will connect with Changpeng and Humen port), Dongguan Da Dao (connecting with the centre of Dongguan), Guangyuan East Expressway (connecting with eastern Guangzhou), the Guangzhou Second Ring Road (the completed northern section of which will connect with the new Guangzhou International Airport in Huadu, and the eastern section of which will connect with eastern Guangzhou and Panyu), and the Guangzhou Ring Road and National Highway 107. All are fully operational, except for Changhu Expressway and the Guangzhou Second Ring Road. The route is well positioned to benefit from significantly improved border crossing efficiency now that the Huanggang border crossing with Hong Kong has been opened on a 24 hour basis since 27 January, 2003.

Complexities and lead-time for new competition

The process of obtaining necessary official approvals, land use rights and financing for a PRC road project is complex, lengthy and expensive. Additionally, the construction of a highway is a lengthy process often involving significant uncertainty. As a result, road projects have a long lead-time to completion.

Existing and potential competing roads

National Highway 107 is a class I highway which runs parallel to the GS Superhighway and also connects Guangzhou with Shenzhen. It pre-dates the GS Superhighway and is a partially open access highway with a route which winds through the busy areas of local cities and towns. Despite recent upgrading, National Highway 107 has a comparatively low design standard being concrete paved, with a lower design speed, no access control and intersecting with local roads. Traffic on National Highway 107 is heavy and the overall travel speed is relatively slow, thereby reducing convenience and cost effectiveness to longer distance travellers. Overall journey time between Guangzhou and Shenzhen is currently estimated at approximately three hours compared with approximately one hour on the GS Superhighway. Accordingly, the Company believes that the GS Superhighway will continue to be the preferred route for road users for whom convenience, safety and quality of journey are primary considerations.

New highway proposals in the southern PRD include a link between Hong Kong and western Shenzhen comprising the proposed Deep Bay link and Shenzhen Western Corridor. The Directors understand that this new link is planned to be constructed for opening around 2005. This proposed new link between Hong Kong and Shekou in western Shenzhen would involve a new border crossing with the aim of diverting a portion of cross-border traffic away from congested urban Shenzhen. The Directors believe that the new border crossing will relieve congestion at the existing Huanggang border-crossing, facilitating flow of traffic to the GS Superhighway. The new link will cater for traffic bound for western Shenzhen, and will be connected with the GS Superhighway. For these reasons, the Directors believe it will have no significant adverse competitive effect on the GS Superhighway.

The Directors also understand that the Guangdong Provincial Government has been considering the feasibility of building a new highway along the eastern PRD coast-line to provide a connection between the planned Shenzhen Western Corridor and the second ring road planned for Guangzhou (see "The Road Projects — The Guangzhou E-S-W Ring Road — Destinations and Major Connections"). The Directors estimate that, if the Guangdong Provincial Government decides to build this new coastal highway, taking into account the time that will be required for the approval process, the acquisition of necessary land, arranging for finance and construction of the highway, the earliest time for its opening would realistically be around 2010. If this new highway is developed, it may provide an alternative to the GS Superhighway for traffic between Guangzhou and Shenzhen. However, this project is still at a preliminary stage. Such a project would require the approval of the PRC central government and would involve significant cost and lead-time to completion.

Certain sections of the GS Superhighway may be affected by availability of alternative routes, especially for local or short distance traffic. For example, the Guanyuan East Expressway, which was opened in October 2001, runs parallel to the Guangzhou section of the GS Superhighway and was toll-free before December 2002. The Company believes that certain traffic was diverted away from the GS Superhighway during this period, but traffic flow on the section of the GS Superhighway between Xintang and Guangzhou has increased since tolls were introduced on the Guanyuan East Expressway. The Guanshen Expressway which starts from Shenzhen and ends at Dongguan also runs parallel to the GS Superhighway. This expressway has been open since 2000 and the Directors do not consider it as a directly competing route because it is situated some 20 km to the east of the GS Superhighway and mainly serves traffic bound for destinations not served by the GS Superhighway.

Prospects

Prospects for Guangdong and the PRD

In recent years, growth in GDP and private vehicle ownership within the PRD has fuelled the growth in traffic flow on the GS Superhighway. While there has been consistent growth in both commercial vehicle traffic (mainly represented by Class 2 to 5 vehicles) and private vehicle traffic (mainly represented by Class 1 vehicles), the recent pattern of growth has been weighted towards private vehicles. This can be attributed to growth in personal wealth and, more recently, to the availability of consumer credit for purposes of vehicle purchases. For the year ended 31 December, 2002, toll receipts for the GS Superhighway were 8.1% higher than for the previous year, while the increase in average daily tolled vehicle flow for the same periods was approximately 18.9%. Over the first six months of 2003, average daily tolled traffic flow has increased by approximately 30.3%, and toll receipts have increased by approximately 14.4%, as compared to the corresponding period in 2002.

In the shorter term, the Company expects to see continuing growth in traffic demand within Guangdong Province and the PRD driven by continuing economic growth in the PRC in general, and in Guangdong Province and the PRD in particular, and by associated growth in vehicle ownership and usage. Based on this expectation, the Company believes that traffic flow for the GS Superhighway will show continuing growth.

In view of the PRC Government's increased focus on the national highway network, the Company anticipates that the highway network within the PRD is set to become an integral component of a broader system by which locations within the PRD and Guangdong will be connected with leading cities across the PRC.

Factors specific to the GS Superhighway

The GS Superhighway is a strategically important route. As the first and currently the only expressway directly connecting Guangzhou with Shenzhen and Hong Kong, the long-term significance of the route has been enhanced by the urban and industrial corridor which has developed along its route.

Guangzhou continues to expand, as do the towns, cities and industrial centres along the route of the GS Superhighway. While the GS Superhighway is strategically important in its own right, the Company believes that its full potential will be further realised as the highway network in Guangdong Province and the PRD continues to develop further. For example, Dongguan has emerged to become one of the major industrial centres of the PRD as a result of the rapid expansion and conglomeration of what previously were many small townships. As the municipality has expanded, its road network has also been developed and expanded significantly to provide enhanced connectivity with the GS Superhighway, thereby establishing the conditions for increased usage of the expressway.

The GS Superhighway route is also well positioned to benefit from significantly improved convenience and efficiency of border crossing now that the Huanggang border crossing with Hong Kong has been opened on a 24 hour basis since 27 January, 2003.

Taxation

Pursuant to an approval from the Guangdong Tax Bureau, the rate of foreign enterprise income tax payable by GS Superhighway JV in respect of its profit 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 profit 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 profit. Pursuant to another approval from the Guangdong Tax Bureau, the GS Superhighway JV is also exempt from paying a local income tax (currently set at a rate of 3%) in respect of profit arising from the operation of toll roads and related service facilities for ten years commencing from the first profit-making year. In addition, with effect from July 1994, it is exempt from business tax (currently set at a rate of 5%) in respect of its toll revenue and income arising from the operation of car parks, motor repair centres and other facilities for the first five years of operation and, thereafter, the Guangdong

Provincial Government has approved the refund of the business tax paid by GS Superhighway JV up to December 1999. The GS Superhighway JV has received a refund of a total of approximately RMB34.8 million in respect of business tax paid as approved by the Guangdong Provincial Government. As the year ended 31 December, 2000 was the first year for which the GS Superhighway JV recorded profits, the exemptions from paying foreign enterprise income tax and local income tax will cease to apply commencing from the years beginning 1 January, 2005 and 1 January, 2010, respectively.

Property Development

The land parcels already acquired by the GS Superhighway JV within the interchanges and along the GS Superhighway have been approved for property development, subject to certain terms and conditions which require to be further negotiated with the relevant government authorities. As the Group is still discussing with the PRC authorities as to the permitted use of the land within such interchanges (such as including property development as a permitted use) in addition to their use for pure interchange purposes, the land use right certificates for such land has not been issued. In recognition of the additional investment by the Group to fund improvements in design of the GS Superhighway (see "Financing — Financing arrangements" above), the GS Superhighway PRC Partner has agreed in principle for HHI GS Superhighway Co to have certain contingent economic entitlement in the property developments within certain interchanges. This contingent right is not governed by the GS JV Contract. The Group has no plans to engage in property development activities other than those which are ancillary to or within the land acquired along the alignment or in the interchanges of its infrastructure projects.

THE GUANGZHOU EAST-SOUTH-WEST RING ROAD

The Company has an indirect interest in the Guangzhou E-S-W Ring Road which is a by-pass route running along the eastern, southern and western fringes of Guangzhou city and forming the main sections of the Guangzhou Ring Road. The Company's interest in the Guangzhou E-S-W Ring Road is held through a Sino-foreign co-operative joint venture established in partnership with Guangzhou City Tongda Highway Company and CKI.

The Road

Guangzhou E-S-W Ring Road

Key Data

Route..................................	By-pass route along eastern, southern and western fringes of Guangzhou city
Total length.......................	38 km
Classification	Expressway
Number of lanes	Dual 3 lanes
Design speed.....................	100 km per hour
Toll system........................	Closed system
Number of toll plazas	10
Number of interchanges....	10 (including barriers at both ends)
Joint venture partners	(1) Guangzhou City Tongda Highway Company (2) CKI Guangzhou Ring Roads Limited
Concession period.............	30 years from 1 January, 2002
Status	Fully operational, collecting tolls

The Guangzhou E-S-W Ring Road is a strategic component of the road system serving the increasingly heavy traffic flow in and around Guangzhou. Its eastern and western ends connect to the Northern Ring Road, creating an inter-connected expressway ring road route surrounding Guangzhou city.

The Guangzhou E-S-W Ring Road is a closed system expressway and has ten interchanges which are all fully operational. A toll plaza is located at each of these interchanges. Its dual three lane carriageways are mostly elevated and have a design speed of 100 km per hour. The maximum speed limit is 100 km per hour. The Guangzhou E-S-W Ring Road is equipped with an emergency phone system (with emergency telephones approximately every kilometre), a closed circuit television system along the expressway and an optical fiber system for the transmission of data from the toll booths to the management centre.

The Guangzhou E-S-W Ring Road has been open and collecting tolls since June 2000.

Destinations and Major Connections

The Guangzhou E-S-W Ring Road constitutes the main segments of a ring of expressways encircling Guangzhou city. It provides a high speed thoroughfare for the increasingly heavy traffic flow in and around Guangzhou city and is an important by-pass for the high volume of through traffic which passes Guangzhou en route to other destinations served by the many major highways to which Guangzhou is connected. The eastern and western ends of the Guangzhou E-S-W Ring Road connect to the Northern Ring Road at Guangdan and Shabei respectively to create the Guangzhou Ring Road.

The Guangzhou E-S-W Ring Road also plays an important role in accommodating traffic outside the congested street network of urban Guangzhou by providing an alternative to medium to long trips through central parts of the city.

The 10 interchanges of the Guangzhou E-S-W Ring Road provide access to the wider existing transportation networks and major facilities around Guangzhou city such as:

(i) the GS Superhighway;

(ii) the Northern Ring Road;

(iii) the Guangyuan East Expressway;

(iv) Huangpu Port;

(v) the Guangzhou New Exhibition Centre;

(vi) the Huanan Expressway;

(vii) Luoxi bridge which connects to Panyu;

(viii) the Guangfo Highway; and

(ix) the Guangfo Expressway and the Northern Ring Road.

Guangzhou is continuing to expand and develop as the commercial centre of Guangdong Province. Existing urban expansion and renewal plans include major strategic developments encompassing Huadu to the north and Nansha to the south. These are geared toward the establishment of new national sea and air transportation hubs comprising the new Guangzhou International Airport in Huadu (scheduled for opening by mid-2004) and a new technology oriented urban centre and sea port at Nansha. Additional planned commercial and industrial development will see further outward expansion of Guangzhou in areas to the south of the Pearl River.

Significant enhancement of Guangzhou's highway network is planned in conjunction with the city's continuing expansion. Major new connections to the Guangzhou Ring Road recently completed or to be completed include:

- The Airport Expressway which has been opened since 2002 connecting the Northern Ring Road to the new Guangzhou International Airport (scheduled for opening by mid-2004) in Huadu;
- Phase 1 West which will provide a connection from the Guangzhou E-S-W Ring Road to Shunde and is scheduled for opening in 2004 (see "The Road Projects — Phase 1 West");
- The New Guangfo Expressway which is intended to relieve congestion on the existing Guangfo Expressway between Guangzhou and Foshan (the municipality with the third highest GDP in the Guangdong Province in 2001) and is scheduled for opening in 2004; and
- The Guangzhou Southern Expressway which will connect the Guangzhou E-S-W Ring Road with the port and strategic development area of Nansha as well as other areas under development to the south of Guangzhou and Guangzhu East Line, and which is scheduled for opening in 2005.

Initiation and Promotion of the Project

The Guangzhou E-S-W Ring Road Project resulted from the same initiatives of Hopewell in December 1978 which led to the construction of the GS Superhighway. The proposals for the Guangzhou E-S-W Ring Road were encapsulated in a formal letter of intent entered into with a PRC party nominated by the Guangzhou Municipal Government in June 1985. Following the completion of the initial feasibility study, preliminary approval for the project was obtained in July 1992. A detailed feasibility study was completed in November, 1992. Following the approval of the detailed feasibility study by the then Guangzhou Planning Committee, a joint venture contract was signed in November, 1992 and the Ring Road JV was established in December of the same year.

During these initiation and promotional phases, HHI had taken a lead role comparable to its involvement in the GS Superhighway Project. In addition to leading the process of promoting the Project to relevant governmental authorities, HHI was the leading party in the negotiation of the concession rights established under the JV Contract and the original construction, project management and financing arrangements for the Project.

Between 1993 and 1996, various preparation work was undertaken by HHI in relation to this Project. CKI was introduced as the second foreign party at the initiative of HHI in 1997 and the JV Contract was amended in October 1997 to allow CKI to participate as a joint venture partner. A revised construction contract was concluded in October 1997.

During the construction period, the road was opened to traffic in sections from 1997 onward. The project was fully completed, and the highway fully opened for operation, in June 2000, more than 12 months ahead of the contractual schedule. In early 2001, a request was raised by the general contractor for the construction, who is also the Ring Road PRC Partner, for certain additional construction costs to be borne by the Ring Road JV. Such request was not accepted by both HHI and CKI on the basis that the additional costs are outside the scope of the fixed price construction contract and the request has not been further raised for discussion by the Ring Road PRC Partner since mid 2002.

Joint Venture and Project Management Arrangements

As with the GS Superhighway Project, the Guangzhou E-S-W Ring Road Project was established as a Sino-foreign co-operative joint venture. The PRC partner is a state-owned enterprise established by the Guangzhou Municipal Government, and its supervisory body is the Guangzhou Construction Commission. CKI was introduced as the second foreign party in 1997. CKI is a subsidiary of Cheung Kong Infrastructure Holdings Limited, a company listed on the Stock Exchange.

The Ring Road JV Contract was originally entered into on 23 November, 1992 for the purpose of the construction, operation and management of the Guangzhou E-S-W Ring Road. It has been amended to reflect subsequent developments, including the introduction of CKI as an additional foreign party. Under the Ring Road JV Contract, the parties have the right to share the net cash flow (that is, gross operating income net of operating expenses and tax) of the Guangzhou E-S-W Ring Road in respect of its toll operations and essential and service facilities on the following basis:

Year	HHI Ring Road Co	Ring Road PRC Partner	CKI
Year 1 - year 10	45%	10%	45%
Year 11 - year 20	37.5%	25%	37.5%
Year 21 - year 30	32.5%	35%	32.5%

Under the Ring Road JV Contract, each of the joint venture partners is entitled to appoint five of the fifteen directors of the Ring Road JV. Certain significant matters are stipulated to require the unanimous approval of all the directors of the Ring Road JV present at a board meeting, including amendments to the articles of association, changes in the registered capital and creating encumbrances over any of the assets of the joint venture. Except for matters on which unanimous approval is required, board decisions require two-thirds majority and must comprise at least two directors from each of the joint venture parties. A meeting of the board shall be attended by at least two-thirds of the directors.

In October 1997, a management agreement was entered into between the Ring Road JV and the Ring Road PRC Partner. This management agreement provides that the Ring Road PRC Partner is responsible for the management and operation of the Guangzhou E-S-W Ring Road under the direction and supervision of an executive committee. The executive committee retains overriding responsibility for key policy matters including approving the annual operating budget, policies, and important decisions relating to the operation of the Guangzhou E-S-W Ring Road. On various important matters, such as annual operating budget, adjustment of toll rates and employee remuneration, the approval of the board of directors of the Ring Road JV is also required. The executive committee has eight members, four of which are nominated by the Ring Road PRC Partner. HHI Ring Road Co and CKI have each nominated two members. Any decision of the executive committee is required to be approved by one member appointed by the Ring Road PRC Partner and two members appointed by either HHI Ring Road Co or CKI.

HHI's experience in relation to the Guangzhou E-S-W Ring Road has indicated that its rights under the Ring Road JV Contract and in relation to the executive committee afford effective participation in significant decisions and changes and that, in practice, significant decisions are taken based on consensus between the joint venture partners.

Project Concession

The Ring Road JV has a concession period of 30 years commencing from 1 January, 2002. At expiration of the concession period, all fixed assets owned by it will be transferred to the Ring Road PRC Partner for zero consideration and the Ring Road JV will be dissolved. On dissolution at the end of the concession period, any current assets will be distributed to the Ring Road PRC Partner, HHI Ring Road Co and CKI in the proportion of 30%, 35% and 35% respectively.

Financing

The total approved project investment for the Guangzhou E-S-W Ring Road was RMB4,500 million. This was funded by: (i) US$55 million (equivalent to RMB469 million at the time of contribution) total registered capital contributed by HHI Ring Road Co and CKI in equal amounts; and (ii) shareholders' loans of RMB4,031 million of which HHI Ring Road Co, CKI and Ring Road PRC

Partner were to provide approximately RMB1,765.5 million, RMB1,765.5 million and RMB500 million, respectively. In November 2001, the Ring Road JV obtained a RMB1,500 million loan from a PRC bank and the proceeds were used to repay part of the shareholders' loans from the Group and CKI. The remaining balance of the shareholders' loans as at 31 May, 2003 were: (i) HHI Ring Road Co — RMB979 million; (ii) CKI — RMB979 million; and (iii) Ring Road PRC Partner — RMB473 million.

Additional investment costs of approximately RMB400 million incurred by HHI for the Guangzhou E-S-W Ring Road Project (including borrowing costs capitalised, direct overheads and certain initial development and land costs) had been agreed not to be borne by the Ring Road JV as part of the restructuring of the Ring Road JV in 1997 when CKI was introduced as a JV partner. In recognition of such additional investment costs, HHI was granted certain contingent land rights for which the Group has no current plans.

The Ring Road JV Contract provides that HHI Ring Road Co and CKI are each responsible for servicing 50% of the RMB1,500 million PRC bank loan as mentioned above. The amounts of their respective debt service obligations are deducted from their respective entitlements to the net cash flow of the Ring Road JV (see "Joint Venture and Project Management Arrangements" above) before the entitlements are distributed.

Operations

Toll collection

The toll collection system for the Guangzhou E-S-W Ring Road is in the form of a closed system with computerised toll validation. This system is similar to that being used by GS Superhighway. See "The Road Projects — GS Superhighway — Operations — Toll Collection".

The toll collection system installed by the Guangzhou E-S-W Ring Road utilises IC card technology.

As in the case of the GS Superhighway, the arrangements for collecting tolls on the Guangzhou E-S-W Ring Road are expected to be adapted to incorporate the introduction of a provincial toll pass with a centralised administrative agency to issue passes, collect payment and distribute associated toll entitlements to operators of participating expressways (see "The Road Projects — The GS Superhighway — Operations — Recent Developments").

Management and operational staff

According to the management agreement entered into in 1997, the PRC partner is responsible for the management and operation of the Guangzhou E-S-W Ring Road under the direction and supervision of an executive committee which retains overriding responsibility for key policy matters (see "Joint Venture and Project Management Arrangements" above).

Under the Ring Road JV Contract, the general manager of Ring Road JV shall be nominated by the Ring Road PRC Partner and appointed by the board of directors of the Ring Road JV. The general manager is responsible for the day-to-day management of the Guangzhou E-S-W Ring Road subject to the terms of the Ring Road JV Contract. The Ring Road JV has one executive deputy general manager and three deputy general managers who are responsible for assisting the general manager in executing his duties. CKI is entitled to nominate the executive deputy general manager. The Ring Road PRC Partner is entitled to appoint two of the deputy general managers and the other is appointed by HHI Ring Road Co. The Ring Road JV has approximately 525 employees excluding secondees from the Group.

Traffic management

As in the case of all its Projects, the Company believes that effective traffic management, aimed at facilitating convenient, fast and safe transit, is key to maximising toll receipts and maintaining the Guangzhou E-S-W Ring Road's status as a prime route of choice, particularly having regard to projected increases in traffic volume. The Company believes that the four factors which principally contribute to congestion and delay are accidents, heavy traffic flow (either generally or at specific pressure points), insufficiency of toll lanes at entry or exit, and lane restrictions resulting from repair and maintenance works. The Company's operational strategies aim to mitigate the problems that are likely to arise from these factors, based on forward planning and anticipation of demand.

Traffic surveillance and telecommunication facilities consist of emergency phones, and closed circuit television cameras placed at intervals along the expressway. The monitoring facility in conjunction with the manual and computerised toll collection systems enables the Ring Road JV to monitor traffic flow and toll collection efficiently. The Ring Road JV makes efforts to liaise and co-operate with traffic police and has established what it considers to be efficient and beneficial working relationships with the traffic police as a result.

The Ring Road JV closely monitors traffic volume and flow along the expressway in order to detect early signs of high traffic flow and any resulting congestion. Regular maintenance works are typically scheduled so as to minimise disruption to traffic.

The Ring Road JV was awarded ISO9001-2000 management standards in December 2001.

Major repairs and improvements

As operator of the expressway, the Ring Road JV is responsible at its own cost for the maintenance and repair of the expressway throughout the concession period. The Ring Road JV operates an annual budgeting process similar to that adopted by the GS Superhighway JV which covers anticipated operating expenses, repair and maintenance costs and any other capital expenditure. HHI has always been closely involved in the preparation and subsequent monitoring of the annual budget, which is required to be approved by the board of directors of the Ring Road JV. Since official opening of the Guangzhou E-S-W Ring Road in 2002, there have been no incidences of material budget overruns or material unforeseen capital expenditure requirements. No major repair or maintenance program has been planned for the current financial year.

Revenues

The revenues of the Ring Road JV are substantially comprised of toll receipts collected at toll plazas located at each of the interchanges and barriers. Toll receipts are dependent on traffic volume by vehicle categories, applicable toll rates and distances travelled.

Toll rates

The toll rates currently payable by vehicles using the Guangzhou E-S-W Ring Road are:

Class	Vehicle Category	Number of axles	Number of wheels	RMB per km
1	Cars, jeeps, passenger/cargo vans in the form of taxis and motorcycles	2	4	0.6
2	Small passenger/cargo vans, light trucks and small vans	2	4	1.2
3	Medium sized vans, large cars, medium sized trucks	2	6	1.8
4	Large luxurious cars, large trucks, heavy trailers, 20 ft. container trucks	3	6-10	2.4
5	Double deck cars, heavy trucks, heavy trailers, 40 ft. container trucks	>3	>10	3.0

These toll rates, which are based on multiples of 1, 2, 3, 4 and 5 times the base charge for Class 1 vehicles, have been approved by the authorities responsible for transportation and price within the Guangdong Provincial Government. The Ring Road JV may propose or apply for rate changes at any time although it has not done so since its completion in June 2000.

Historical traffic flow and toll receipts

As illustrated by the following table, the Guangzhou E-S-W Ring Road has been experiencing steady increases in traffic flow and toll receipts notwithstanding the fact that a number of the feeder roads connecting to its interchanges have yet to be completed.

	1998	1999(1)		2000(1)		2001		2002		2003(4)		
			Year on year growth(3)		Year on year growth(3)		Year on year growth(3)		Year on year growth(3)		Year on year growth(4)	CAGR(5)
Average daily tolled traffic flow (no. of vehicles)	7,589	23,370	208.0%	32,242	38.0%	31,212	(3.2%)(2)	36,120	15.7%	38,796	17.1%	47.7%
Toll receipts (RMB million)	18	87	370.9%	151	74.8%	168	10.7%	199	18.5%	107	18.6%	81.3%

Notes:

(1) Various toll plazas opened throughout 1999. The entire Guangzhou E-S-W Ring Road was completed on 26 June, 2000.

(2) A government measure implemented in January 2001 by the Guangzhou Municipal Government stipulated that all Guangzhou and non-Guangzhou registered vehicles would have to purchase annual and entry tickets respectively, to travel inside Guangzhou city (see "Trends" below). As a result, the Guangzhou Municipal Government terminated the operation of most of the toll plazas on local toll bridges and tunnels in Guangzhou city. While the requirement to purchase annual tickets was implemented in respect of Guangzhou registered vehicles in January 2001, the entry ticket requirement in respect of non-Guangzhou registered vehicles was not imposed until December 2001. As such, non-Guangzhou registered vehicles were able to access Guangzhou city toll-free for a period of almost twelve months. The Directors believe that, during that period, certain traffic was diverted from Guangzhou E-S-W Ring Road as a result of such alternative toll-free access to Guangzhou city, leading to a drop in the expressway's average daily tolled traffic flow in 2001 compared to 2000, which in turn had an adverse impact on its toll receipts for 2001.

(3) Year-on-year growth represents percentage change compared to the previous calendar year.

(4) The statistics for 2003 cover the first six months of the year and are compared with the corresponding period in 2002. As the above information is presented on a calendar year basis, the first six months of 2003 cover the second six months of the financial year ended 30 June, 2003.

(5) CAGR are calculated from 1998, being the first complete calendar year of operations, up to and including 2002.

Vehicles exempt from payment of tolls accounted for 4.7% of the total traffic for the year ended 31 December, 2002.

Trends

The Directors believe that traffic flow on the Guangzhou E-S-W Ring Road for calendar years 2001 and 2002 was significantly affected by two separate measures taken by the Guangzhou Municipal Government. In 2001, the Guangzhou Municipal Government stipulated that all Guangzhou and non-Guangzhou registered vehicles would have to purchase annual and entry tickets, respectively, to travel inside Guangzhou city. As a consequence, the Municipal Government terminated the operation of most of the toll plazas on local bridges and tunnels in Guangzhou city. However, while the requirement to purchase annual tickets to Guangzhou city was imposed in January 2001 for Guangzhou registered vehicles, the requirement on non-Guangzhou registered vehicles to purchase entry tickets was not implemented until December 2001. Up to December 2001, this allowed non-Guangzhou registered vehicles to travel in Guangzhou using other roads without paying tolls. The second measure in May 2002 stipulated, among other things, restrictions on hours and travel zones for non-Guangzhou registered goods vehicles to enter Guangzhou city. The Directors believe that these successive measures resulted first in a significant decrease in usage of the Guangzhou E-S-W Ring Road by non-Guangzhou registered vehicles between January and December 2001, followed by increases in usage following the introduction of the further charges imposed in December 2001 and May 2002 respectively. The average daily tolled traffic flow rose from 32,125 vehicles in the period 1 May, 2001 - 30 April, 2002 to 38,084 vehicles in the period 1 May, 2002 - 30 April, 2003, an increase of approximately 18.5%.

The following table provides a monthly comparison of average daily toll receipts and average daily tolled traffic flow for the most recent two financial years ended 30 June, 2002 and 30 June, 2003.

Growth in monthly average daily toll receipts and monthly average daily tolled traffic flow

	Average Daily Toll Receipts (RMB '000)			Average Daily Tolled Traffic Flow		
Month	**2001**	**2002**	**% Growth**	**2001**	**2002**	**% Growth**
July	447.4	543.4	21.5%	30,502	35,962	17.9%
August	475.7	579.2	21.8%	32,095	38,342	19.5%
September	503.8	617.4	22.5%	34,083	40,682	19.4%
October	457.7	591.2	29.2%	31,943	39,209	22.7%
November	491.2	601.6	22.5%	33,469	40,071	19.7%
December	473.9	598.4	26.3%	32,329	40,183	24.3%
	2002	**2003**	**% Growth**	**2002**	**2003**	**% Growth**
January	485.3	590.7	21.7%	32,636	39,499	21.0%
February	375.5	466.7	24.3%	26,229	32,444	23.7%
March	527.5	624.0	18.3%	34,383	40,591	18.1%
April	550.2	637.0	15.8%	36,574	41,158	12.5%
May	527.9	606.6	14.9%	34,542	38,082	10.2%
June	517.7	616.1	19.0%	33,886	40,522	19.6%

A number of new connections to the interchanges of the Guangzhou E-S-W Ring Road have been planned to be completed and open to traffic in the coming two years (see "Destinations and Major Connections" above). These new connections are expected to generate growth in traffic flow and toll receipts on the Guangzhou E-S-W Ring Road once operational.

Recent developments

As in the case of the GS Superhighway, the Guangzhou E-S-W Ring Road was the subject of proposals announced by the Guangdong Provincial Government on 31 July, 2001 to require expressways throughout Guangdong Province to adopt uniform toll rate multiples of 1, 1.5, 2, 3 and 4 times the base charge for Class 1 vehicles in respect of the five different classes of vehicles. Existing expressways were originally required to adopt the new toll rate multiples by August 2006. However, pursuant to the recent notice issued by the Guangdong Provincial Government on 22 May, 2003, existing expressways which had toll rates approved before 31 July, 2001 and which have not yet adopted the new toll rate multiples no longer have to adopt the new toll rate multiples. As such, the Guangzhou E-S-W Ring Road's toll rates remain unaffected by the recent proposals.

Interchanges

The Guangzhou E-S-W Ring Road currently has 10 interchanges which are strategically positioned to provide speedy and safe access to major connecting roads, linking highly populous and industrial regions in the PRD, as well as providing access to and from some of the busiest areas in Guangzhou city. A toll plaza is placed at each of these interchanges.

Competition

The Guangzhou Ring Road is currently the only ring road expressway serving the highly populous city of Guangzhou. It provides a high speed thoroughfare for the increasingly heavy traffic flow in and around Guangzhou city and it also serves as an important by-pass for the high volume of external traffic which passes Guangzhou en route to other destinations via the many major highways which serve Guangzhou. The Guangzhou E-S-W Ring Road constitutes the main segments of the Guangzhou Ring Road. It connects to the GS Superhighway and many of the other highways by major feeder roads thereby linking Guangzhou to other highly populous and industrial regions of the PRD.

The eastern section of the Guangzhou E-S-W Ring Road is subject to competition from the Huanan Expressway which opened in September, 1999 and runs substantially parallel to the section of the Guangzhou E-S-W Ring Road between Huangcun and Tuhua interchanges. The Huanan Expressway has been opened for three years and in operation since before the Guangzhou E-S-W Ring Road was completed and has consistently been experiencing heavy traffic for some time. Against this background and given the growth in traffic flow which has been experienced by the Guangzhou E-S-W Ring Road, the Company is of the opinion that any impact of the Huanan Expressway has already stabilised.

A second outer Guangzhou ring road is planned for opening around 2010. The proposed second ring road is planned to run at a radius of approximately 30 to 40 km outside the existing Guangzhou Ring Road with the aim of serving traffic travelling within the outer surrounds of Guangzhou and between Guangzhou and areas adjoining Guangzhou. Accordingly, it will serve a different primary function, and will have a different demand profile, to the existing Guangzhou Ring Road. For these reasons, the Company believes that the existing Guangzhou Ring Road will continue to be a strategically important by-pass route, with traffic demand not significantly affected by construction of the second ring road.

Prospects

Prospects for Guangdong and the PRD

As noted in context of the GS Superhighway, in the shorter term the Company expects to see continuing growth in traffic demand within Guangdong Province and the PRD driven by continuing economic growth in the PRC and these regions, and by associated growth in vehicle ownership and use. Based on these expectations, the Company believes that traffic flow on the Guangzhou E-S-W Ring Road will continue to grow.

Prospects for Guangzhou

Guangzhou is continuing to expand and develop as the commercial centre of Guangdong Province. As Guangzhou continues to expand and develop, there is an increasing need for routes to accommodate traffic away from the congested city centre and to support the city's outward expansion. This has recently led to changes in Guangzhou's traffic measures imposing access restrictions to Guangzhou city (see "Revenues — Trends" above).

Since implementation of these changes between December 2001 and May 2002, the Guangzhou E-S-W Ring Road has seen significant growth in traffic volumes. The average daily traffic flow has risen from 32,125 vehicles in the period 1 May, 2001 - 30 April, 2002 to 38,084 vehicles in the period 1 May, 2002 - 30 April, 2003, an increase of approximately 18.5%.

In the light of experience with other major cities, the Directors anticipate that the Guangzhou Ring Road, of which the Guangzhou E-S-W Ring Road is an integral part, will be an increasingly important component of the traffic system serving the greater Guangzhou area.

Existing urban expansion and renewal plans include major strategic developments encompassing the new Guangzhou International Airport in Huadu to the north, and a new technology oriented urban centre and sea port at Nansha to the south, as well as further planned commercial and industrial development in areas to the south of Guangzhou including Panyu. This development will see further outward expansion of Guangzhou continuing its transformation from an agricultural to an industrial and commercial based economy.

Major new connections

The Company believes that Guangzhou E-S-W Ring Road is well placed to benefit from increased traffic flow from the opening of several major new connecting roads which are planned to be opened in 2004 and 2005 (see "Destinations and Major Connections" above).

Taxation

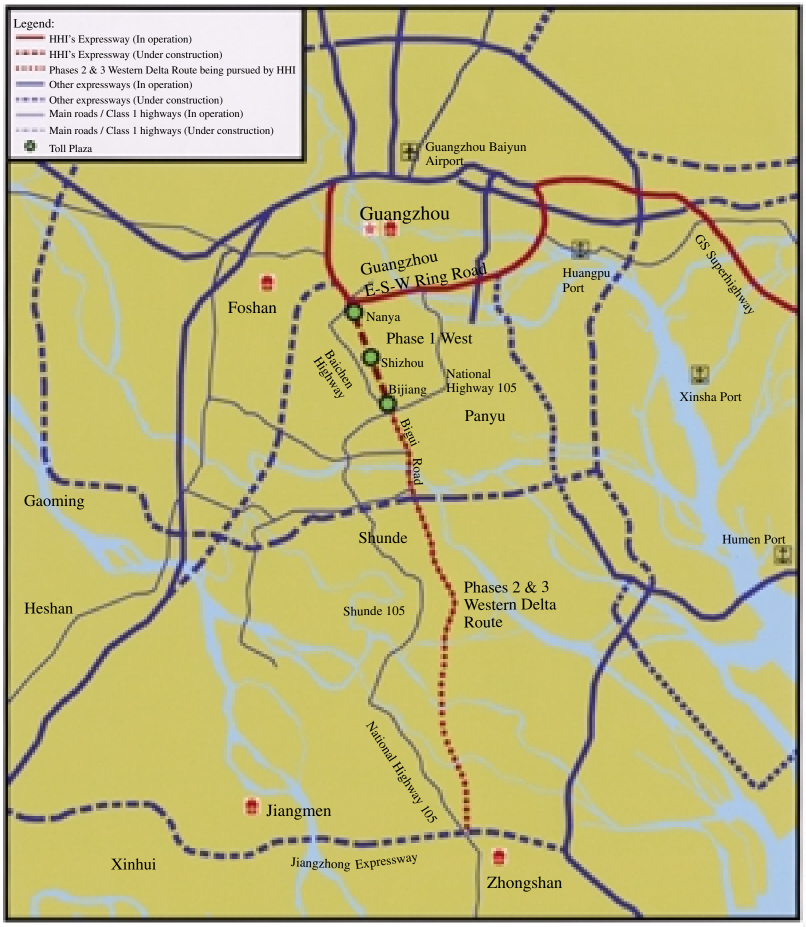
Pursuant to an approval from the Guangzhou branch of the State Tax Bureau, the rate of foreign enterprise income tax payable by Ring Road JV in respect of its profit arising from the operation of toll roads is 15%. Under the existing PRC tax laws and regulations, the Ring Road JV is entitled to enjoy, subject to approval from the relevant governmental authority, a two year exemption from, to be followed by a three year 50% reduction in the rate of, foreign enterprise income tax for profit arising from the operation of toll roads commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. In addition, the Ring Road JV has obtained an approval from the Guangzhou Municipal Government which grants a more preferential tax treatment in the form of a five year exemption from, to be followed by a five year 50% reduction in the rate of, foreign enterprise income tax, commencing from the first profit-making year. However, pursuant to the current PRC tax laws and regulations, the Ring Road JV is required to obtain an approval from the State Tax Bureau to be entitled to the more preferential tax treatment granted by the Guangzhou Municipal Government. The Ring Road JV intends to apply for such approval in due course.

The Ring Road JV has also obtained an approval from the Guangzhou Municipal Tax Bureau which grants an exemption from paying a local income tax (currently set at a rate of 3%) in respect of profit arising from the operation of toll roads as well as ancillary and related service facilities for ten years commencing from the first profit-making year. Notwithstanding the above, according to tax regulations in Guangdong, the period of exemption and reduction from paying local income tax will be equal to the final approved period of exemption and reduction granted to the Ring Road JV in respect of paying foreign enterprise income tax. The Ring Road JV is required to pay business tax (currently set at a rate of 5%) on its toll receipts. Because Ring Road JV has not yet recorded profits, any exemption from paying foreign enterprise income tax and local income tax has so far had no effect on the Ring Road JV.

PHASE 1 WEST

The Company has an indirect interest in the Phase 1 West Project which is under construction and will run from Guangzhou city to Shunde. The Company's interest in the Project is to be held through a Sino-foreign co-operative joint venture established in partnership with Guangdong Provincial Highway Construction Company, which is also HHI's PRC partner in the completed GS Superhighway.

The Project



Phase 1 West

Key Data

Route	Hainan interchange of Guangzhou E-S-W Ring Road to Bijiang in Shunde
Total length	14.7 km
Classification	Expressway
Number of lanes	Dual 3 lanes
Design speed	100 km per hour
Toll system	Closed system
Number of toll plazas	2-3
Number of interchanges	3 (including barriers at both ends)
Joint venture partner	Guangdong Provincial Highway Construction Company
Concession period	30 years from the date of issue of business licence for the Phase 1 West JV
Status	Under construction and expected to be completed by mid-2004

The Route

Phase 1 West is a 14.7 km dual three lane expressway currently under construction which will run from the Hainan interchange of the Guangzhou E-S-W Ring Road to Bijiang in Shunde where it will join with Shunde 105 and the northern end of Bi Gui Road in Shunde. Phase 1 West will fulfil the strategic need for a high speed link between Guangzhou city and Shunde and is expected to shorten the travel time between the two cities to approximately 10 to 15 minutes from a journey of approximately 40 minutes on existing local roads.

Phase 1 West is expected to be completed by mid-2004. It is being constructed as a closed system expressway and will have three interchanges. It is expected to have two to three toll plazas. It will be asphalt-paved and will have a design speed of 100 km per hour.

Initiation and Promotion of the Project

The original GS Superhighway project also comprised an expressway route across the western PRD between Guangzhou and Zhuhai. For the reasons set out below, the original route for this western expressway was changed to what is now the Western Delta Route, of which Phase 1 West is one part. Accordingly, Phase 1 West results from the same initiatives of Hopewell in December 1978 which led to construction of the GS Superhighway.

When the eastern and western expressway routes originally contemplated by the GS Superhighway JV were subsequently separated for independent development, the concession for the route in the western PRD was transferred to HHI West Co in 1992. At that time, HHI had envisaged that the entire route would be developed by HHI West Co. However, on commencement of preliminary work in 1993 to 1994, and in view of progress with the developing highway system in the western PRD, HHI established that the original route would no longer be economically desirable. As a result, HHI sought approval in 1995 from the Guangdong Provincial Government for a revised route through the western PRD of approximately 58 km between Guangzhou and Zhongshan, and approval was obtained in the same year. In 1999, after further consideration and analysis by HHI and the Guangdong Provincial Communications Bureau, it was agreed with the Guangdong Provincial Communications Bureau that the Western Delta Route should be divided into three phases and that Phase 1 West would be jointly developed by HHI and Guangdong Provincial Highway Construction Company.

Following the completion of the feasibility study, initial and supplementary approvals for the Phase 1 West Project were obtained from the Guangdong Provincial Development Planning Committee in June 2000 and July 2001, respectively. Since July 2001, HHI has been engaged in the negotiation of concession rights, and the terms and basis for the management structure, construction and operation of the joint venture, and the financing arrangements for the Project. This has included the restructuring of the Western Delta Route as well as preparation of the Phase 1 West JV Contract. HHI is in the process of obtaining final approval for the restructuring of the Western Delta Route for the purposes of the Phase 1 West Project (see "Approval Process for Phase 1 West" below).

Approval Process for Phase 1 West

The restructuring of the Western Delta Route project has involved changes to the arrangements relating to HHI West Co and the establishment of a co-operative joint venture company, and requires formal approvals from Guangdong COFTEC. Preliminary approval for the restructuring of HHI West Co and for the establishment of the Phase 1 West JV was duly obtained from Guangdong COFTEC in March 2003. However, there are various formal notifications that are required to be given to creditors of HHI West Co which must be completed before formal approval from Guangdong COFTEC is issued. The scope and process for all such remaining formalities are being processed by the Guangdong COFTEC, and the form and terms of the Phase 1 West JV Contract have been settled among all relevant parties. Accordingly, the Company expects that the Phase 1 West JV Contract will be duly entered into, and the Phase 1 West JV established, all in accordance with existing proposed terms and arrangements, by no later than the third quarter of 2003.

Joint Venture Arrangements for Phase 1 West

The Phase 1 West Project is being undertaken as a joint venture between HHI West HK Co and Guangdong Provincial Highway Construction Company, which is also HHI's PRC Partner in the GS Superhighway project.

When the Phase 1 West JV Contract is entered into, it will establish a Sino-foreign co-operative joint venture company according to applicable PRC law. The Phase 1 West JV Contract will govern the interests of the respective joint venture partners in Phase 1 West, and their respective entitlements to share in the net operating income of the Phase 1 West JV. The terms agreed between the Phase 1 West PRC Partner and HHI West HK Co provide for the net operating income to be shared in equal proportions between HHI West HK Co and the Phase 1 West PRC Partner. Net operating income for these purposes will be determined as stipulated in the JV Contract after providing for (among other things) operating expenses, capital expenditure, debt service obligations and employee benefits.

Under the Phase 1 West JV Contract, HHI will be entitled to appoint four of the eight directors of the Phase 1 West JV. Certain significant matters are stipulated to require unanimous approval by all directors present at the board meeting, including the approval of the annual budget and accounts, the approval of major contracts, changes in the total investment, increase in the registered capital, distribution of profits, and changes to the articles of association. Except for matters on which unanimous approval is required, board decisions will require two-thirds majority of the directors present at the board meeting.

The general manager of the Phase 1 West JV will be nominated by the Phase 1 West PRC Partner for appointment by the board of directors of the Phase 1 West JV. The general manager will be responsible for the day-to-day operation and management of Phase 1 West subject to the terms of the Phase 1 West JV Contract. Each of HHI West HK Co and the Phase 1 West PRC Partner will be entitled to appoint one deputy general manager who shall be responsible for assisting the general manager.

Construction of Phase 1 West began in December 2001 based on the joint venture arrangements as currently proposed, and in anticipation of the establishment of the Phase 1 West JV. As agreed between the joint venture partners, during the period before and leading up to the formal establishment of the Phase 1 West JV, construction is being managed and supervised by the joint working committee comprising representatives from HHI and the Phase 1 West PRC Partner. As such, HHI and the Phase 1 West PRC Partner decide and act jointly in relation to all construction matters, including approval and signing of construction contracts. In particular, payments due in respect of land and construction costs are jointly verified to the satisfaction of both HHI and the Phase 1 West PRC Partner. In addition, a financial supervisory group currently headed by a representative from HHI and comprising representatives from both joint venture partners has been formed to oversee financial and budgeting arrangements and distribution of profits for the Phase 1 West Project. In particular, the budget for the Phase 1 West Project needs to be approved by both joint venture partners.

Project Concession

The Phase 1 West JV will have a concession period of 30 years from the date of issue of its business licence, which is expected to occur in the third quarter of 2003. At the expiration of the concession period, all fixed assets owned by it will be transferred to the responsible governmental authorities for no consideration and Phase 1 West JV will be dissolved. On dissolution at the end of the concession period, any residual asset surplus of the Phase 1 West JV will be shared in equal proportions between the joint venture partners.

Construction of Phase 1 West

Construction of Phase 1 West commenced in December 2001 and is expected to be completed by mid-2004. The construction of Phase 1 West is managed by a joint working committee comprising experienced engineers from HHI and the Phase 1 West PRC Partner. All necessary approvals for the use of the required land for the construction of the expressway have been granted. For the purpose of constructing the main alignment, the Phase 1 West route has been divided into eight consecutive sections with different contractors constructing each section. In order to control costs and enhance quality control, all major construction materials are centrally procured by the Phase 1 West joint working committee. The materials are then distributed to the contractor of each of the eight sections with the assistance of a professional materials management company. Construction on all the various sections is proceeding in parallel.

All construction and land acquisition contracts have been entered into on fixed price terms. All the construction contracts provide that any variation of agreed work and the price for such variation must be approved by the joint working committee, and that the cost of repairing any construction defects are to be borne by the relevant contractor during the relevant warranty period. The construction contracts have allocated insurance obligations such as construction risks and third party liability and the cost of such insurance among the joint working committee and the contractors. Further, all contractors engaged by the joint working committee were selected, through a public tender process supervised by representatives from relevant government authorities, on the basis of criteria such as experience, track record, management team and bidding price.

In order to prevent delay, all construction contracts are entered into for a fixed completion date where extension of construction time requested by any contractor would only be allowed in exceptional circumstances and must be approved by the joint working committee. The committee is also entitled to terminate a construction contract in the event of an undue delay.

There has been no material delay in the construction programme so far.

Financing of Phase 1 West

The total approved project investment for Phase 1 West is RMB1,680 million. The Phase 1 West JV will have registered capital of RMB588 million, to be contributed equally by HHI and the Phase 1 West PRC Partner. The balance of the overall construction cost is intended to be financed by RMB bank loans to be borrowed by the Phase 1 West JV once it is established. The partners to the Phase 1 West JV have obtained a letter of intent from a PRC bank for provision of financing facilities. HHI and the Phase 1 West PRC Partner have agreed that such facilities are to be secured on the toll collection rights, operation rights and any insurance rights of the Phase 1 West JV and will be non-recourse to the joint venture partners.

Various initial costs for items such as land compensation, site clearance and construction and financing costs have been, and will require to be, incurred prior to the formal establishment of the Phase 1 West JV. As the Phase 1 West JV has not been established, these costs, which amounted to approximately RMB799.7 million as at 31 May, 2003, have been, and will continue to be, funded by the Phase 1 West PRC Partner. Upon establishment of the Phase 1 West JV, the amount by which these costs have exceeded the Phase 1 West PRC Partner's registered capital contribution will be reimbursed to the Phase 1 West PRC Partner by the Phase 1 West JV. HHI West Co has sufficient funds to meet its anticipated contribution to Phase 1 West JV's registered capital. The Group will make its contribution of registered capital in accordance with the Phase 1 West JV Contract once the Phase 1 West JV is established.

Contracts are in place for the acquisition of all land which will be required for the Phase 1 West Project, and for all necessary demolition and construction works. The risk of any delay and cost overrun is mitigated by the contractual arrangements in place as described under "Construction of Phase 1 West" above. To date, construction is proceeding substantially as scheduled on each of the eight sections and there have been no significant changes in the scope of contracted works. In the unexpected event that cost overruns arise, the Phase 1 West JV will explore the option of increasing its own borrowings before considering raising further capital or obtaining loans from the joint venture partners.

Operations

The toll collection system for Phase 1 West will be in the form of a closed system with two to three toll plazas. As in the case of the Group's other expressways in Guangdong province, the arrangements for collecting tolls on Phase 1 West will require to incorporate proposals for a provincial toll pass with a centralised administrative agency (see "The Road Projects — The GS Superhighway — Operations — Recent Developments"). The Company intends that the Phase 1 West JV should follow similar operational principles and strategies as are applied to the operation of the GS Superhighway, aimed at the efficient delivery of convenient, fast and safe transit.

Recent Developments

There have been recent proposals by the Guangdong Provincial Government to implement uniform toll rate multiples for expressways throughout Guangdong Province. According to a notice issued by the Guangdong Provincial Government on 31 July, 2001, the new toll rate multiples to be adopted in respect of the five different classes of vehicles shall be 1, 1.5, 2, 3 and 4 times the base charge for Class 1 vehicles. Since the Phase 1 West is a new expressway project, it is required to adopt the new toll rate multiples once it commences operation.

Competition

At present, there are two routes directly connecting Guangzhou city with Shunde, namely, National Highway 105 (the section between the southern end of Luoxi Bridge and the northern end of Shunde 105) and a second route which consists mainly of Baichen Highway. The two highways are class II and class I highways, respectively. Upon completion, Phase 1 West will be the first expressway running between Guangzhou city and Shunde. As such, it will fulfil the strategic need for a high speed link between Guangzhou city and Shunde and is expected to substantially shorten the travel time between the two cities from approximately 40 minutes to approximately 10 to 15 minutes.

The Company believes that there are currently no published or official proposals for any additional or alternative expressway connection between Guangzhou city and Shunde which would provide speed and convenience for travel between these cities comparable to that which will be available via Phase 1 West.

Prospects

Phase 1 West when completed will fulfil the strategic need for a high speed link between Guangzhou city and Shunde. The Company expects there to be an immediate and increasing demand for a high speed route between these major centres.

Taxation

Pursuant to the existing PRC tax laws and regulations, the Phase 1 West JV is entitled to apply for a reduced rate of foreign enterprise income tax at 15%. The Phase 1 West JV will be liable for local income tax (currently set at a rate of 3%) on any profit and business tax (currently set at a rate of 5%) on its toll receipts.

The Phase 1 West JV is entitled to apply for an exemption from the applicable foreign enterprise income tax which, if approved, would exempt the Phase 1 West JV from paying such taxes for 2 years commencing from its first profit-making year and at a reduced rate of 7.5% for the following 3 years. The Phase 1 West JV is also entitled to apply for an exemption from local income tax which, if approved, would exempt the joint venture from paying such tax for 5 years commencing from the first profit-making year.

Phases 2 and 3 of the Western Delta Route

Following the changes approved in 1995, the revised Western Delta Route covers approximately 58 km between Guangzhou and Zhongshan (including the portion comprised in the Phase 1 West Project). Under the terms of the existing arrangements relating to the Western Delta Route, the concession rights for Phases 2 and 3 continue to be held by HHI. While the existing documents and approvals for these project arrangements provide for a concession period of 30 years commencing from the completion of Phases 2 and 3 respectively (with HHI having sole entitlement to profits from operation of the expressway for the first 12 years of operations, and profits to be shared with the GS Superhighway PRC Partner for the remaining period of the concession), the Directors consider that certain key terms of the existing arrangements, including route alignment, financing, profit sharing and concession terms, will require to be renegotiated and finalised with relevant PRC authorities in order for Phases 2 and 3 to proceed.

Although no firm plans have yet been formulated for the further development of any part of Phases 2 or 3, the development of these further Phases is being actively pursued by the Group. Depending on the final alignment of the route, it may be appropriate, at the time of development of Phase 3, for the Group to consider the acquisition of the 22.8 km Bigui section of the Shunde Roads (or any part thereof). (See "Relationship with the Hopewell Group — General"). The development of Phases 2 and 3 may be implemented by way of a joint venture with a suitable PRC partner.

EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

Sir Gordon Ying Sheung WU ***KCMG, FICE***, 67, is the Chairman of the board of the Company and Hopewell. He graduated from Princeton University with a Bachelor of Science degree in Engineering in 1958. He is the founder of Hopewell, which was listed on the Stock Exchange in 1972, and holds directorships in principal subsidiaries of Hopewell and the Company. He spearheaded and developed both the power generation business of Hopewell, which in 1993, was consolidated and spun-off as the listed Consolidated Electric Power Asia Limited (subsequently disposed of in 1997) and Hopewell's road infrastructure business. In addition to being the chief executive officer, as a civil engineer by profession, he has led the design and construction of the numerous property development projects of Hopewell in Hong Kong since the early 1970's and the hotels, power plant and road infrastructure projects of Hopewell in the PRC and overseas since the early 1980's, including the Shajiao B Power Plant which received the British Construction Industry Award and setting a world record of completion within 22 months.

He is very active in civic duties, 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, 70, is the Vice-Chairman of the Company and Managing Director of Hopewell. He holds directorships in principal subsidiaries of Hopewell and the Company. He was Deputy Managing Director of Hopewell when it was listed on the Stock Exchange in 1972. 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 Hopewell and the Group. In addition, he has extensive experience in building and development projects in Hong Kong. He is an honorary citizen of the cities of Shenzhen and Shunde in the PRC.

Mr. Thomas Jefferson WU, 30, is the Managing Director of the Company and Executive Director and the Chief Operating Officer of Hopewell. He joined Hopewell in 1999 and holds directorships in principal subsidiaries of Hopewell and the Company. He was awarded a Master of Business Administration degree from Stanford University in 1999 and a Bachelor of Science degree in Mechanical and Aerospace Engineering from Princeton University in 1994. He is responsible for strategic planning, corporate policy and overall management of the Group. He is a son of Sir Gordon Ying Sheung WU.

Mr. Alan Chi Hung CHAN, 44, is the Deputy Managing Director of the Company. He joined Hopewell in 1988 and was previously an Executive Director there. 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 previously held directorships in subsidiaries of Hopewell which undertake infrastructure projects in the PRC, including Delta Roads Limited. He is responsible for project coordination, management and administration of the transport infrastructure and other projects in the PRC.

Ir. Leo Kwok Kee LEUNG ***DIC FIStructE, FICE***, 44, was appointed an Executive Director of the Company on 3 July, 2003 when he joined the Group. He is responsible for the design, engineering and construction of projects within the Group. He joined Hopewell in 1978 and rejoined in 1993. 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 held directorships in subsidiaries of the construction division of Hopewell. Prior to joining Hopewell, he worked in Singapore, Kenya, England and Hong Kong and acquired a wide range of experiences in bridge and building designs and constructions, slipform technique, dam and tunnel structures.

Mr. Lijia HUANG, 61, is an Executive Director of the Company and is primarily responsible for the operations and management of the toll roads in Guangdong Province. He joined Hopewell in 1996. Before joining Hopewell Group, he was the General Manager of Guangdong Provincial Highway Construction Company. During 1961-1979, he held senior positions in various commissions in Zhaoqing. He previously held directorships in subsidiaries of Hopewell which undertake infrastructure projects in the PRC, including Delta Roads Limited.

Mr. Cheng Hui JIA, 62, was appointed an Executive Director of the Company on 3 July, 2003 when he joined the Group. He is the Controller for China projects and is responsible for liaison and coordination with various PRC government authorities. He joined Hopewell in 1985. Before joining Hopewell, he worked for many years in aerospace research in the PRC. He graduated from Harbin Industry University in 1964 with a Bachelor of Science degree. He previously held directorships in two associate companies of Hopewell.

Mr. Christopher Shih Ming IP, 34, was appointed an Executive Director of the Company on 3 July, 2003. He joined Hopewell in 2002. He is involved in the Company's corporate financing activities as well as new project development. Prior to joining Hopewell, he was 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. He does not currently hold any directorship in Hopewell Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kojiro NAKAHARA, 62, was appointed an independent non-executive Director of the Company on 10 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 has 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. He does not hold any previous or current directorship in Hopewell Group. He holds 10,671 ordinary shares of HK$2.5 each in Hopewell (approximately 0.0012% of the total issued share capital of Hopewell).

Mr. Philip Tsung Cheng FEI, 62, was appointed an independent non-executive Director of the Company on 10 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. Mr. Fei 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. He was previously a non-executive director of Consolidated Electric Power Asia Limited, a former listed subsidiary of Hopewell, from 1993 to 1996 and does not currently hold any directorship in Hopewell Group.

Mr. Lee Yick NAM, 56, was appointed an independent non-executive Director on 10 July, 2003 and the chairman of the audit committee of the Company on 16 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. He does not hold any previous or current directorship in Hopewell Group. He holds US$400,000 of the 9.875% Notes due 2004 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. (approximately 0.2% of the total amount of the Notes).

Mr. Gordon YEN, 33, was appointed an independent non-executive Director of the Company on 10 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. Prior to joining Fountain Set (Holdings) Limited ("Fountain Set") in 1999, he served as an Infrastructure Project Director in Hopewell. He was previously an employee of Hopewell and from 1997 to 1999, he was a director of PT Hi Power Tubanan 1, a subsidiary of Hopewell. Currently, he does not hold any directorship in Hopewell Group. He is currently the Assistant to Chairman of Fountain Set. Fountain Set, a company listed on the Stock Exchange, and its subsidiaries are principally engaged in the production and sales of knitted fabrics. There is no relationship between Fountain Set and the Group or Hopewell Group.

COMPANY SECRETARY

Mr. Peter Yip Wah LEE, 61, was appointed the Company Secretary of the Company on 3 July, 2003. He graduated from the University of Hong Kong with a Bachelor of Arts degree in 1965. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo. He is also a China Appointed Attesting Officer. He is an independent non-executive director of a number of public listed companies, and is also the company secretary of over 20 listed companies including Hopewell.

STAFF

As of April 2003, the Group would have had a total of 32 full-time staff, with 23 in Hong Kong and 9 in the PRC. Set out below is a breakdown of the number of the Group's full-time staff by function for the past two years:

	As at April	
	2002	2003
Professional	7	12
Operational	20	20

The Directors believe that the Company's relationship with the Group's staff is a good one. The Group's staff are not represented by any collective bargaining unit or trade union.

The Group offers a medical benefits scheme to all its employees and has adopted a mandatory provident fund scheme for its employees in Hong Kong.

The Company is not aware of any breach of the relevant laws, regulations and requirements in relation to child protection, fair labour standards, working conditions and code of conduct for the Group's employees or workers under the respective regions in which the Group carries out its business.

DIRECTORS' COMPENSATION

The aggregate amount of compensation (including fees, salaries, contribution to retirement benefits plans and other benefits) which would have been paid by the Company to the Directors during each of the three years ended 30 June, 2000, 2001 and 2002 and the ten months ended 30 April, 2003 was approximately HK$2,051,000, HK$2,361,000, HK$3,382,000 and HK$2,012,000 respectively.

The numbers of Directors whose compensation fell within the following bands are as follows:

	Year ended 30 June,			Ten months ended 30 April,	As of Listing Date
	2000	2001	2002	2003	
	Number of directors	Number of directors	Number of directors	Number of directors	Number of directors
Nil to HK$1,000,000	2	2	2	2	5
HK$1,000,001 to HK$1,500,000	1	1	—	1	1
HK$1,500,001 to HK$2,000,000	—	—	—	—	4
HK$2,000,001 to HK$2,500,000	—	—	1	—	1
HK$2,500,001 to HK$3,000,000	—	—	—	—	—
HK$3,000,001 to HK$3,500,000	—	—	—	—	1

Save as disclosed above, no other payments have been paid or are payable in respect of the three years ended 30 June, 2002 and the ten months ended 30 April, 2003 by the Company or any of its subsidiaries to the Directors.

Under the arrangements currently in force, the aggregate remuneration of the Directors payable for the year ended 30 June, 2003 is estimated to be approximately HK$2,682,000.

Under the arrangements currently proposed, conditional upon the listing of the Shares of the Company on the Stock Exchange, the annual remuneration (excluding any discretionary bonus which may be paid) payable by the Company and its subsidiaries to the directors of the Company commencing on or about the Listing Date will be as follows:

	HK$ (rounded to the nearest thousand)
Sir Gordon Ying Sheung WU	3,260,000
Mr. Eddie Ping Chang HO	2,500,000
Mr. Thomas Jefferson WU	1,906,000
Mr. Alan Chi Hung CHAN	1,906,000
Ir. Leo Kwok Kee LEUNG	1,737,000
Mr. Lijia HUANG	590,000
Mr. Cheng Hui JIA	1,012,000
Mr. Christopher Shih Ming IP	1,672,000
Mr. Kojiro NAKAHARA	100,000
Mr. Philip Tsung Cheng FEI	100,000
Mr. Lee Yick NAM	100,000
Mr. Gordon YEN	100,000

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Company has established an audit committee 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. The members of the audit committee are Lee Yick NAM, the chairman of the committee, Philip Tsung Cheng FEI and Kojiro NAKAHARA.

GENERAL

Currently, the Hopewell Group (including the Group for this purpose) is principally engaged in the development, investment and operation of properties and toll roads, bridges and tunnels and related infrastructure projects in Hong Kong and the PRC. The Hopewell Group is a "connected person" within the meaning given under the Listing Rules in relation to the Group.

Immediately after the Offering (assuming the Warrants, Over-allotment Option and the BOC Option are not exercised), Hopewell will have an interest in approximately 75% of the issued share capital of the Company and will therefore continue to be a "connected person" in relation to the Group.

The existing connected transactions between members of the Group and members of the Hopewell Group which are exempted from disclosure and shareholders' approval under Rule 14.24 of the Listing Rules include those set out in the section headed "Connected Transactions" below. While the Company will have to comply with the Listing Rules as to connected transactions when dealing with members of the Hopewell Group, there are no arrangements in place or proposed, save as disclosed in this prospectus, which would require members of the Hopewell Group to maintain the relationship with the Group, with respect to both business and share ownership.

The management of the Company has adopted a policy that, in general, the Group will only participate in closed system expressway projects (as opposed to open system highways), unless the size of the project makes it justifiable for the Group to do otherwise or if there are other special circumstances.

Expressway/Superhighway	**Open system highway**
Designed for higher speed driving and faster transit from destination to destination without disruption by intersections/junctions.	Designed to facilitate access to local townships/regions along the highway.
Connection with other roads is through interchanges so that through traffic will not be disrupted. Interchanges are connections by means of ramps.	Other roads will intersect with the highway and connection with other roads is through intersections/junctions which are controlled by a roundabout or traffic light. Therefore, traffic flow will be disrupted by the intersections/junctions.
Full access control — entry and exit can only through interchanges (or established entrance/exit points).	Partial access control or no access control — vehicles can enter and exit through the intersections/junctions along the highway. Intersections/junctions are connections without entrance or exit ramps and are usually equipped with traffic lights.
The entire route is enclosed. All traffic has to access the road through controlled entrances and exits.	The route of the highway may not be enclosed. Vehicles are only charged at toll plazas and could use the highway without paying as long as no toll plazas are crossed.
Design speed of at least 100km/hour	Design speed of below 100km/hour; for Class I highways, the usual design speed is 80km/hour.
For tolled expressway, tolls are usually charged on the basis of distance travelled.	For tolled open system highways, tolls are collected at fixed toll collection points. If a vehicle enters or exits the highway without passing through a toll collection point, no toll will be payable even if part of the highway has been used.

Consequently, Shunde Roads and Shunde 105, which are not expressways, are excluded from the Group. There is no direct competition between the projects of the Group on the one part and Shunde Roads and Shunde 105 on the other as their routing and areas covered are different. Though the projects of the Group and of the Hopewell Group have common directors, Shunde Roads and Shunde 105 are separate independent projects from the projects of the Group, and Shunde Roads and Shunde 105 have been managed and operated by the Hopewell Group from completion of the Reorganisation.

Currently, the Group has no intention of acquiring Hopewell Group's interest in Shunde Roads or Shunde 105. However, it is possible that when the time is right in the future for the development of Phase 3 of the Western Delta Route, depending on the final alignment of the route, the Group may seek to acquire the 22.8 km Bigui Road section (or certain parts thereof) of Shunde Roads for the purpose of that project (the total length of Shunde Roads is 102 km and Hopewell Group's interest in Shunde Roads is 25%). Any such acquisition would be subject to compliance with all relevant provisions of the Listing Rules. It should be noted that Phases 2 and 3 of the Western Delta Route are only in the planning stage, but they will be actively pursued.

The Group has a clear business focus, distinct from that of the Hopewell Group. The Group's business focuses on the initiation, promotion, development and operation of strategically important roads, bridges and tunnels and related infrastructure projects in Guangdong Province and particularly the PRD. None of the members of the Hopewell Group is engaged in the business of PRC toll road infrastructure, except for Hopewell Group's 25% interest in a jointly-controlled entity operating Shunde Roads and 30% interest in a jointly-controlled entity operating Shunde 105, which are open system highways. Shunde Roads and Shunde 105 contributed only about 0.1% and 2.3% of Hopewell's earnings before interest and tax for the years ended 30 June, 2001 and 30 June, 2002, respectively. Accordingly, the interests in Shunde Roads and Shunde 105 do not form a major operation of the Hopewell Group and for the reasons stated above, there is a clear delineation between the businesses retained by the Hopewell Group and that of the Group. As at the date of this prospectus, the Directors believe that the Hopewell Group does not carry on any business activities that directly compete with the Group's activities.

Hopewell has given a non-compete undertaking to the Company to the effect that for so long as Hopewell is a controlling shareholder (as that term is defined in the Listing Rules) and remains the single largest shareholder of the Company, Hopewell will not (by itself or through its subsidiaries, excluding the Group) engage in investment in toll road projects (including bridges and tunnels) in the PRC save and except the following:

(1) toll road projects of which:

    (i) the Group was offered an opportunity to acquire or be involved or participate; and

    (ii) the independent non-executive directors (as such is defined in the Listing Rules) of the Company has separately reviewed and decided that the Group should decline such an opportunity to acquire or be involved or participate; or

(2) toll road projects in which the independent non-executive directors of the Company have separately reviewed and decided to invite Hopewell or its designated subsidiary to engage or participate jointly with the Group, for which such engagement or participation of the Hopewell Group is considered by the independent non-executive directors to be in the interests of general shareholders of the Company; or

(3) interests in equity securities issued by any company engaged in the business of PRC tolled road projects which are listed on a recognised stock exchange provided that the interest held directly or indirectly by the Hopewell Group represents not more than 15% of the total issued share capital of such company and the Hopewell Group does not control the board of the relevant company; or

(4) the 25% interest in a jointly-controlled entity operating Shunde Roads and 30% interest in a jointly-controlled entity operating Shunde 105 presently held by the Hopewell Group.

The Company will make an announcement in the event that the independent non-executive directors of the Company have separately reviewed and decided that the Group should decline an opportunity to acquire or be involved or participate while such opportunity is taken up by the remaining Hopewell Group.

Other than the non-compete undertaking referred to above, the Hopewell Group has not undertaken not to engage in activities competing with the Group, nor are there any contractual restrictions for it not to do so.

The Group has its own functional departments, including a project management department, an engineering department and an accounts department, all of which operate independently from the Hopewell Group. The majority of the Directors do not currently hold directorships on the board of Hopewell. Save for Sir Gordon Ying Sheung Wu, Mr. Eddie Ping Chang Ho and Mr. Thomas Jefferson Wu, the Directors do not currently have any management roles in Hopewell Group. The board of the Company also currently includes 4 independent non-executive Directors who oversee internal control and provide checks and balances over the board's decision-making on significant transactions or transactions involving a potential conflict of interests. Based on the above, the Group is able to function independently of the Hopewell Group.

Hopewell is required to comply with the "spin-off" requirements under Practice Note 15 of the Listing Rules in respect of the proposed separate listing of the Company, treating the JV Enterprises as if they were subsidiaries of Hopewell for that purpose. These include, among others, the requirement to obtain approval of shareholders of Hopewell of such separate listing (as the Group is a "major subsidiary" of Hopewell as defined under the Listing Agreement between the Stock Exchange and Hopewell (as the pre-tax trading profits of the Group represent more than 15% of those of the Hopewell Group (including the Group) and the Offering may constitute a material dilution of Hopewell's interest in the Group and, depending on the Offer Price and the expected market capitalisation of the Company, the Offering may also constitute a major transaction for Hopewell under Chapter 14 of the Listing Rules), which approval was given in the extraordinary general meeting of Hopewell held on 16 July, 2003. Hopewell has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with paragraph 3(f) of Practice Note 15 regarding the assured entitlement right of holders of Hopewell Shares to the Shares on the basis that the Warrants represent a better way of providing an equity entitlement to holders of Hopewell Shares than a conventional preferential offer.

CONNECTED TRANSACTIONS

The existing connected transactions between members of the Group and members of the Hopewell Group which are exempted from disclosure and shareholders' approval under Rule 14.24 of the Listing Rules include those set out below.

Exempted connected transactions

Exempted connected transactions under the de minimus rule

1. *Lease arrangements between the Hopewell Group and the Group*

(i) Rental agreement in relation to office in Hopewell Centre

HHI GS Superhighway Co, a subsidiary of the Company, has entered into a rental agreement (the "Rental Agreement") with Singway (B.V.I.) Company Limited ("Singway"), a wholly-owned subsidiary of Hopewell, pursuant to which HHI GS Superhighway Co leases an office space of approximately 2,359 square feet at Room 64-02, 64th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "Property") from Singway. The Rental Agreement will continue for a term up to 30 June, 2004 and therefore, it is expected that the Rental Agreement will continue after the completion of the Offering. The rental for the Property under the Rental Agreement is HK$35,392.50 per calendar month. In addition, HHI GS Superhighway Co is responsible for paying its portion of government rates, electricity and air-conditioning charges, which, together with the rental, totalled approximately HK$554,000 in the financial year ended 30 June, 2002.

Pursuant to the Rental Agreement, the amount payable by the Group to Singway is not expected to exceed HK$1,000,000 per annum during the term. The Directors (including independent non-executive Directors) and the Sponsor consider that the Rental Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and is fair and reasonable to the shareholders of the Company.

(ii) Leases of certain car parking spaces in Hopewell Centre

A member of the Group currently has lease arrangements with Singway for one car parking space in Hopewell Centre on a monthly basis. This arrangement is expected to continue, and the Group may have additional lease arrangements with Singway for more car parking spaces, after completion of the Offering (although no such additional leasing arrangement is currently planned). The rental currently payable for the car parking space per month is HK$5,350 and the total annual rental payable for the car parking space currently leased by the Group and those that might be leased to the Group (both from the Hopewell Group) after completion of the Offering in a financial year is expected not to exceed HK$1,000,000. The Directors (including independent non-executive Directors) and the Sponsor consider that the arrangements for the lease of the car parking space at present are, and the possible arrangements for the lease of any additional car parking spaces after completion of the Offering will be, on normal commercial terms in the ordinary and usual course of business of the Group and are fair and reasonable to the shareholders of the Company.

2. Provision of insurance advisory services by HCNH Insurance Brokers Limited to the Group

HCNH Insurance Brokers Limited ("HCNH") is providing, and is expected to continue to provide to the Group after completion of the Offering, insurance advisory services (the "Insurance Advisory Services"). Total fees of approximately HK$5,000 were charged by HCNH for the Insurance Advisory Services in the financial year ended 30 June, 2002 and the Group expects that the total fees payable for the Insurance Advisory Services after completion of the Offering in a financial year will not exceed HK$1,000,000. The Directors (including independent non-executive Directors) and the Sponsor consider that the provision of the Insurance Advisory Services at present is, and after completion of the Offering will be, on normal commercial terms, in the ordinary and usual course of business of the Group and is fair and reasonable to the shareholders of the Company.

As HCNH is indirectly owned as to 25% by Hopewell, HCNH is an associate of Hopewell and thus a connected person of the Company. Mr. Eddie Ping Chang Ho together with his associate beneficially owns 100% of the issued share capital of Hong Kong Insurance Agency Limited which in turn owns 50% of the issued share capital of HCNH. Therefore, the transactions between HCNH and the Group will constitute connected transactions under the Listing Rules.

3. Sharing of administrative services with the Hopewell Group

Certain subsidiaries of Hopewell are currently providing certain office administrative services to the Group including, for example, shared use of computer systems, personnel services, company secretarial services, interior architecture services, electrical and mechanical services, office administration services and office supplies and computer accessories procurement services (collectively, the "Services"). The current basis for charging for the Services is that out of pocket costs are charged based on actual usage, but overhead of the department providing the service is not charged. In the financial year ended 30 June, 2002, the Group paid approximately HK$205,000 to the Hopewell Group for the Services provided. The Group estimates that the fees payable by the Group in the year ended 30 June, 2003 shall not exceed HK$200,000. This arrangement is expected to continue after completion of the Offering. After completion of the Offering the Group will pay for the Services at cost based on actual usage or share the fees and costs incurred in the provision of the Services with the Hopewell Group in proportion to its utilisation of staff time and/or other resources, as may be appropriate for the different types of Services. The Directors (including independent non-executive Directors) and the Sponsor consider that the provision of the Services after completion of the Offering will be on normal commercial terms, in the ordinary and usual course of business of the Group and is fair and reasonable to the shareholders of the Company.

Under Rule 14.24(5) of the Listing Rules, a continuing connected transaction on normal commercial terms where the annual total consideration or value is less than the higher of HK$1,000,000 or 0.03% of the net tangible assets of a listed issuer will normally be exempted from all the reporting, announcement and shareholders' approval requirements contained in Rules 14.23 to 14.32 of the Listing Rules. Since the transactions under each of the lease arrangements as mentioned in (1)(i), (1)(ii), the provision of the Insurance Advisory Services as mentioned in (2) and the provision of Services mentioned in (3) above are of a continuing and recurring nature and the annual total consideration under each of these transactions does not exceed the higher of HK$1,000,000 or 0.03% of the net tangible assets of the Group after completion of the Offering, these transactions are exempted continuing connected transactions under Rule 14.24(5). Should the amount of consideration payable by the Group in respect of any of these transactions exceed the higher of HK$1,000,000 or 0.03% of the net tangible assets of the Group in any financial year, transactions under the relevant arrangement will be subject to the applicable reporting, announcement and shareholders' approval requirements contained in Rules 14.23 to 14.32 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Offering, but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of the subscription rights attaching to the Warrants, the following persons (not being Directors or the chief executive officer of the Company) will have a discloseable interest in 5% or more of the Shares for the purpose of Part XV of the SFO:

Name	Number of Shares	Percentage
Anber Investments Limited	2,160,000,000	75%
Delta Roads Limited(1)	2,160,000,000	75%
Dover Hills Investments Limited(2)	2,160,000,000	75%
Supreme Choice Investments Limited(3)	2,160,000,000	75%
Hopewell(4)	2,160,000,000	75%

Notes:

(1) This represents the same block of Shares shown against the name of Anber Investments Limited above. Since Anber Investments Limited is wholly-owned by Delta Roads Limited, Delta Roads Limited will be deemed to be interested in the same number of Shares to be held by Anber Investments Limited under Part XV of the SFO.

(2) As Delta Roads Limited is wholly-owned by Dover Hills Investments Limited, Dover Hills Investments Limited will be deemed to be interested in the same number of Shares which Delta Roads Limited will be deemed to be interested under Part XV of the SFO.

(3) As Dover Hills Investments Limited is wholly-owned by Supreme Choice Investments Limited, Supreme Choice Investments Limited will be deemed to be interested in the same number of Shares which Dover Hills Investments Limited will be deemed to be interested under Part XV of the SFO.

(4) As Supreme Choice Investments Limited is wholly-owned by Hopewell, Hopewell will be deemed to be interested in the same number of Shares which Supreme Choice Investments Limited will be deemed to be interested under Part XV of the SFO.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted or to be granted under the Share Option Scheme or upon the exercise of the subscription rights attaching to the Warrants, the Directors are not aware of any person who will immediately following completion of the Offering be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of any member of the Group.

BOC OPTION

In 2000, Hopewell granted to the then Bank of China, Hong Kong Branch (now succeeded by Bank of China (Hong Kong) Limited, "BOC") an option (the "BOC Option") to purchase from Hopewell up to 5% of the issued share capital of the Company as at the Listing Date. Based on the 2,880,000,000 Shares expected to be in issue as at the Listing Date, the BOC Option will cover a total of 144,000,000 Shares held by Hopewell (or its subsidiaries). The BOC Option is exercisable at any time (and on any one or more occasions) during the period commencing on the Listing Date and ending on the date falling 36 months after such date (both dates inclusive), provided that the number of Shares to be acquired pursuant to each exercise of the BOC Option must carry an aggregate value of at least HK$10,000,000. The option exercise price is defined as "the IPO price for each Share". For these purposes, the listing of the Shares on the Stock Exchange by means of the Offering will be the "IPO". The option agreement between Hopewell and BOC contains provisions for adjustment of the option exercise price in certain circumstances including, but not limited to, changes in the capital structure of the Company, capital distributions by the Company, certain issuances of equity and convertible securities, certain grants of rights and a general right to refer the option exercise price to an independent expert. It is not currently foreseen that Hopewell will cease to become a controlling shareholder as a result of any exercise of the BOC Option.

It should be noted that Rule 10.07(1)(a) of the Listing Rules prohibits a controlling shareholder of an issuer from disposing of any shares of the issuer held beneficially by it before the listing of the issuer for a period of 6 months from the date on which dealings in the issuer's shares commence on the Stock Exchange. In the event that BOC exercises the BOC Option during such 6-month period, Hopewell will make necessary arrangements to ensure compliance with that requirement (such as procuring willing seller(s), or borrowing Shares, to sell Shares to BOC, or any other methods deemed appropriate).

		HK$
Authorised share capital:		
10,000,000,000	Shares of HK$0.10 each	1,000,000,000
Issued shares:		
2,160,000,000	Shares in issue as at the date of this prospectus	216,000,000
Shares to be issued:		
720,000,000	Shares to be issued pursuant to the Offering	72,000,000
Total:		
2,880,000,000	Shares	288,000,000
Warrants to be issued:		
87,533,990	Estimated number of Warrants to be issued by way of Assured Entitlement Rights	

Notes:

(1) Assumption

The above table assumes that the Offering becomes unconditional but does not take into account exercise of the Over-allotment Option or any Shares which may be required to be issued on exercise of any of the Warrants. It also takes no account of any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme or the general mandate referred to in Note 5 below or which may be repurchased by the Company under the mandate referred to in Note 6 below.

If the Over-allotment Option is exercised, the Company will have approximately 2,988,000,000 Shares in issue immediately after completion of the Offering.

(2) Ranking

The Shares to be issued will rank equally with all Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

(3) Share Option Scheme

The Company has conditionally adopted the Share Option Scheme, brief details of which are set out under the paragraph "Share Option Scheme" in Appendix IX. Under the Share Option Scheme, staff and directors of the Group, among others, may be granted options which entitle them to subscribe for Shares representing up to a maximum of 10% of the total number of Shares in issue immediately following completion of the Offering.

(4) Warrants

Each Warrant confers the right to subscribe an amount equivalent to the Offer Price for Shares at an initial subscription price equivalent to the Offer Price (subject to adjustment).

(5) General mandate to issue Shares

The Directors have been granted a general unconditional mandate to allot, issue and deal with otherwise than by way of rights, scrip dividend schemes or similar arrangements, Shares with a total nominal value of not more than 20% of the aggregate nominal value of the share capital of the Company in issue and to be issued in the manner referred to in this prospectus (including Shares which may be issued upon the exercise of the Over-allotment Option).

The Directors may, in addition to Shares which they are authorised to issue under the mandate, allot, issue and deal with Shares under a rights issue, scrip dividend scheme or similar arrangement or Shares to be issued upon the exercise of options granted under the Share Option Scheme.

The mandate will remain in effect until:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; or

(iii) varied or revoked by an ordinary resolution of the shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please refer to the paragraph headed "Written resolutions of the sole Shareholder passed on 16 July, 2003" in Appendix IX.

(6) General mandate to repurchase Shares and warrants

The Directors have also been given a general unconditional mandate to exercise all powers of the Company to repurchase Shares and warrants which carry rights to subscribe for Shares with a total nominal value not exceeding 10% of (a) in the case of Shares, the aggregate total nominal value of the share capital of the Company in issue immediately following the completion of the Offering (including Shares which may be issued upon the exercise of the Over-allotment Option); and (b) in the case of warrants, the warrants in issue immediately following completion of the Offering.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares and warrants are listed (and which is reorganised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the sub-paragraph headed "Repurchase by the Company of its own securities" in Appendix IX.

This mandate will remain in effect until:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; or

(iii) varied or revoked by an ordinary resolution of the shareholders in general meeting,

whichever occurs first.

SELECTED FINANCIAL AND OPERATING INFORMATION

Prospective investors should read the selected combined financial and operating information set out below in conjunction with the Accountants' Report contained in Appendix I. The fiscal year of the Company ends on 30 June while the fiscal years of the JV Enterprises end on 31 December. In preparing the combined financial information for the Group, monthly financial data for each of the JV Enterprises were aggregated to reflect a fiscal year ended 30 June. Financial data not originally stated in IFRS were converted to IFRS and further adjustments were made for proportionate consolidation under IFRS. The basis of preparation is set out in Note 1 to Section A (Financial Information) of the Accountants' Report in Appendix I.

The following tables present selected combined income statement data, combined balance sheet data and combined cash flow data from the audited combined financial information with respect to the Group for each of the three years ended and as of 30 June, 2000, 2001 and 2002 and the ten months ended and as of 30 April, 2003 as set out in the Accountants' Report; and the unaudited combined financial information with respect to the Group for the ten months ended 30 April, 2002. Such unaudited combined financial information based on unaudited management accounts of the Group is presented for comparison purpose only.

Income Statement Data

	Year ended 30 June,			Ten months ended 30 April,	
	2000	2001	2002	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Turnover[1]	769,607	859,793	918,450	765,653	861,183
Toll operating expenses	(76,112)	(85,128)	(77,549)	(64,624)	(77,004)
Other operating income	267,441	323,822	151,639	126,391	53,529
Other operating expenses	(144,755)	(165,993)	(211,127)	(175,939)	(210,035)
Profit from operations	816,181	932,494	781,413	651,481	627,673
Finance costs	(267,683)	(303,643)	(220,635)	(183,862)	(167,685)
Profit before tax	548,498	628,851	560,778	467,619	459,988
Income tax expense	(24,700)	(25,798)	(19,298)	(16,082)	(16,420)
Profit after tax	523,798	603,053	541,480	451,537	443,568
Minority interest	(4,849)	(2,431)	(9,051)	(7,543)	(9,869)
Profit for the year/period	518,949	600,622	532,429	443,994	433,699
Dividends	—	—	2,200,000	2,200,000	—
Earnings per shares — basic[2]	HK$0.24	HK$0.28	HK$0.25	HK$0.21	HK$0.20

Notes:

(1) Turnover represents toll receipts, net of business tax.

(2) Calculation of the basic earnings per share for each of the periods is based on the profit for the respective period and on 2,160,000,000 ordinary shares deemed outstanding during each period.

Balance Sheet Data

	As at 30 June,			As at 30 April,	
	2000	2001	2002	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
ASSETS					
Non-current assets					
Toll road projects under development and loans to jointly controlled entities	5,320,871	4,712,508	1,639,721	1,767,851	1,161,353
Other non-current assets	11,239,254	11,232,861	11,033,008	11,101,853	10,899,166
Total non-current assets	16,560,125	15,945,369	12,672,729	12,869,704	12,060,519
Current assets					
Other current assets	579,325	44,877	162,097	253,558	126,930
Bank balances and cash	259,232	512,749	97,819	180,885	291,063
Total current assets	838,557	557,626	259,916	434,443	417,993
TOTAL ASSETS	17,398,682	16,502,995	12,932,645	13,304,147	12,478,512
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	312	312	312	312	312
Reserves	1,888,301	2,489,536	820,788	733,465	1,246,600
Total capital and reserves	1,888,613	2,489,848	821,100	733,777	1,246,912
Minority interests	7,250	9,681	18,732	17,224	28,601
Non-current liabilities					
Long-term borrowings, non-current portion	13,319,108	12,934,315	11,628,851	11,984,985	10,556,280
Deferred tax liabilities	47,500	73,000	91,900	89,082	108,070
Other non-current liabilities	22,235	38,991	18,163	17,971	—
Total non-current liabilities	13,388,843	13,046,306	11,738,914	12,092,038	10,664,350
Current liabilities					
Loans payable, current portion	1,881,133	787,263	253,857	340,365	376,197
Other current liabilities	232,843	169,897	100,042	120,743	162,452
Total current liabilities	2,113,976	957,160	353,899	461,108	538,649
TOTAL EQUITY AND LIABILITIES	17,398,682	16,502,995	12,932,645	13,304,147	12,478,512

Cash Flow Data

	Year ended 30 June,			Ten months ended 30 April,	
	2000	2001	2002	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cash flows from operating activities					
Cash generated from operations	590,031	676,791	702,462	550,706	843,973
Interest received	6,907	14,395	5,467	4,100	4,212
Income taxes paid	—	(298)	(398)	—	(250)
Net cash from operating activities	596,938	690,888	707,531	554,806	847,935
Cash flows from investing activities					
Investment in toll road projects and addition of loans to jointly controlled entities	(337,650)	(22,495)	(1,179)	—	—
Repayment of toll road project under development and loans to jointly controlled entities	485,912	1,436,665	3,171,253	3,123,107	491,842
Purchases of property and equipment, net of proceeds on disposal	(493,801)	(95,963)	7,380	(3,080)	(60,157)
Net cash (used in)/from investing activities	(345,539)	1,318,207	3,177,454	3,120,027	431,685
Cash flows from financing activities					
Interest paid	(148,431)	(205,292)	(293,876)	(241,595)	(137,065)
Increase in loans payable	1,448,888	1,454,803	3,296,710	3,296,710	—
Repayment of loans payable	(1,343,480)	(3,003,235)	(7,307,472)	(7,061,746)	(950,476)
Net cash used in financing activities	(43,023)	(1,753,724)	(4,304,638)	(4,006,631)	(1,087,541)
Net increase/(decrease) in cash and cash equivalents	208,376	255,371	(419,653)	(331,798)	192,079
Cash and cash equivalents at the beginning of the year/period	75,976	259,232	512,749	512,749	97,819
Effect of foreign exchange adjustments	(25,120)	(1,854)	4,723	(66)	1,165
Cash and cash equivalents at the end of the year/period	259,232	512,749	97,819	180,885	291,063

According to paragraphs 27 and 31 of the Third Schedule of the Companies Ordinance and rule 4.04 of the Listing Rules, the Company is required to include its financial results for each of the three financial years immediately preceding the issue of this prospectus. The SFC and the Stock Exchange have granted waivers in relation to these two requirements, respectively. Instead, results for the three years ended 30 June, 2002 and the ten months ended 30 April, 2003 have been included in the Accountants' Report in Appendix I. The Directors confirm that sufficient due diligence has been conducted to ensure that there has been no material adverse change in the financial or trading position of the Group since 30 April, 2003 and up to the date of this prospectus and that there has been no event since 30 April, 2003 which would materially affect the information shown in the Accountants' Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read the following discussion and analysis of the financial condition and results of operations in conjunction with the Accountants' Report in Appendix I. The Accountants' Report has been prepared in accordance with IFRS which differs in certain material respects from HK GAAP and US GAAP. See "Summary of Principal Differences between IFRS, HK GAAP and US GAAP" in Appendix II. The Accountants' Report and the discussion and analysis below assume that the Company's current structure had been in existence throughout the relevant periods. The fiscal year of the Company ends on 30 June while the fiscal years of the JV Enterprises end on 31 December. In preparing the combined financial information for the Group, monthly financial data for each of the JV Enterprises were aggregated to reflect a fiscal year ended 30 June. Financial data not originally stated in IFRS were converted to IFRS and further adjustments were made for proportionate consolidation under IFRS. For further information, see Notes 1 and 2 to Section A (Financial Information) in the Accountants' Report in Appendix I.

Basis of Presentation

The combined income statements, combined statements of changes in equity and combined cash flow statements of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation or establishment, where this is a shorter period. The combined balance sheets of the Group as at 30 June, 2000, 2001 and 2002 and 30 April, 2002 and 2003 have been prepared to present the assets and liabilities of the companies now comprising the Group as at such respective dates, as if the current group structure had been in existence as at those dates.

As indicated in this prospectus, the Company prepares its accounts according to IFRS and the Group's interests in the JV Enterprises are accounted for on a proportionate consolidation basis in accordance with IFRS. Hopewell, as a company incorporated in Hong Kong, prepares its consolidated accounts according to HK GAAP and according to the Companies Ordinance. The Companies Ordinance does not permit the proportionate consolidation basis of accounting for the JV Enterprises because the JV Enterprises are not, and have never been, subsidiaries of Hopewell for the purposes of the Companies Ordinance.

Overview of Operations

Pre-operation Projects

Projects are divided into two phases, the construction (or "pre-operation") phase and the operational phase following the completion of construction. In the pre-operation phase of a project, interest expense attributable to the project and incurred by the Group and the JV Enterprises is capitalized. Upon commencement of a project's operations, the Group and the JV Enterprises treat interest income as earned and interest expense as incurred.

The Group and the Phase 1 West PRC Partner are currently in the process of establishing the Phase 1 West JV to develop the Phase 1 West Project which is in the pre-operation phase. The Phase 1 West JV Contract will provide for the Group to share 50% of the Phase 1 West JV's net operating income.

Operational Projects

The Group holds interests in two operating projects through two JV Enterprises: the GS Superhighway JV and the Ring Road JV. A substantial portion of the Group's combined income is derived from its share of results of these JV Enterprises. The JV Enterprises are not considered subsidiaries of the Company and the Company's interests in the JV Enterprises are accounted for on a proportionate consolidation basis in accordance with IFRS.

The respective contributions to the Group's combined results during the Track Record Period was:

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover				
- GS Superhighway	721,755	789,668	846,933	789,569
- Guangzhou E-S-W Ring Road	47,852	70,125	71,517	71,614
	769,607	859,793	918,450	861,183
Net profit				
- GS Superhighway	161,473	211,522	442,767	466,672
- Guangzhou E-S-W Ring Road	12,032	29,022	24,429	34,609
	173,505	240,544	467,196	501,281

The Group's proportionate share of the income and expenses of each of these JV Enterprises (based on contractually determined ratios) are included in the combined income statement on a line-by-line basis. Pursuant to schedules established by the relevant JV Contracts, the Group's proportionate share of profits of the GS Superhighway JV steps down from 50% to 48% on 1 July, 2007 and to 45% on 1 July, 2017. The Group's share of net cash flow of the Ring Road JV reduces from 45% to 37.5% on 1 January, 2012 and to 32.5% on 1 January, 2022.

Distributions of profit are subject to approval by the board of directors of the respective JV Enterprises. Covenants pursuant to bank loans of GS Superhighway JV require it to maintain RMB50.0 million in its bank account and to obtain prior approval from the bank's agent before making any distributions. Subject to these conditions, the GS Superhighway JV is permitted to distribute 80% of its remaining cash balance as dividends twice a year. There are no restrictions on distribution of net operating surplus under the bank loan agreement of the Ring Road JV provided it meets its immediate debt service obligations. Subject to the repayment of outstanding bank loans of the GS Superhighway JV, the Group will be entitled to the repayment of its registered capital. In the case of the Ring Road JV, subject to the repayment of its shareholder loans, the Group is also entitled to the repayment of its portion of the registered capital of the Ring Road JV.

Results of Operations of the JV Enterprises

Results of operations of the JV Enterprises are affected by:

- traffic volume and therefore other factors which may influence traffic;
- types of vehicle;
- length of expressway travelled;
- level of toll rates;
- operating expenses;
- capital expenditures;

- general and administrative expenses;
- taxation;
- financing costs; and
- depreciation and amortisation of assets including goodwill.

Since the substantial majority of the JV Enterprises' revenues is derived from toll receipts, the revenues of the JV Enterprises are closely related to traffic flow, types of vehicle, level of toll rates and the distance vehicles travel. Other operating income includes rental income, billboard advertising income, income from auxiliary services, other interest income and exchange rate gains or losses on their loans denominated in U.S. dollars or Hong Kong dollars.

Operating expenses include routine maintenance and improvement of the roads, and depreciation expenses associated with assets other than the roads. General and administrative expenses consist primarily of personnel, management and administration expenses.

Project costs, including additional investments and cost over-runs, if any, are depreciated over the concession period of the Project - typically 30 years. In the past, the concession period for each Project commenced upon the beginning of operations of such Project; however, the current practice is for the concession period for pre-operation and future projects to commence upon the issuance of the business licence for such project.

Finance costs include interest on certain shareholder loans, registered capital, bank financings and other loans.

Minority Interest

A minority party holds 2.5% of Kingnice Limited, which is the parent of HHI GS Superhighway Co. The minority party is entitled to the equivalent of 1%, to be reduced to 0.75% after the tenth year of the concession period, of the total dividends distributed by the GS Superhighway JV less the general and administrative expenses of the HHI GS Superhighway Co and Kingnice Limited.

Foreign Currency Effects

All of the revenues of the JV Enterprises are collected in RMB. Any devaluation of the RMB would adversely affect the value of the JV Enterprises' revenues and earnings in foreign currency terms. Devaluation of the RMB relative to the U.S. dollar and/or Hong Kong dollar could increase the portion of the cash flow of the JV Enterprises and the Group respectively which is required to satisfy obligations denominated in those currencies.

Taxation

The effective tax rates of the Group for each of the three years ended 30 June, 2000, 2001 and 2002 and for the ten months ended 30 April, 2003 were 4.5%, 4.1%, 3.4% and 3.6%, respectively. The income tax expenses of the Group mainly represent its proportionate share of the deferred tax provision for PRC income tax of the JV Enterprises. The statutory PRC income tax rate is 33%. Due to the fact that the JV Enterprises are entitled to certain exemptions and reliefs, for PRC income tax, the effective tax rate of the Group is much lower than the statutory tax rates.

All JV Enterprises are currently subject to a 5% business tax on total toll receipts and certain other income. Foreign enterprise income tax rate applicable to the GS Superhighway JV and the Ring Road JV is 15%. However, pursuant to an approval by the Guangdong Tax Bureau, the GS Superhighway JV is exempt from such tax for the first five years beginning with its first profit-making year and will pay a rate of 7.5% for the following five years, as computed under PRC accounting standards and tax regulations. Thereafter, the foreign enterprise income tax rate applicable to the GS Superhighway JV reverts to 15%. It was exempt from the 5% business tax for five years beginning in July 1994 and the Guangdong Provincial Government has approved the refund of such business tax paid by the GS Superhighway JV up to December 1999. The GS Superhighway JV is also exempt from paying a local income tax of 3% for ten years beginning with its first profit-making year.

Under the existing PRC tax laws and regulations, the Ring Road JV is entitled to enjoy, subject to approval from the relevant governmental authority, a two year exemption from, to be followed by a three year 50% reduction in the rate of, foreign enterprise income tax for income arising from the operation of toll roads commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. In addition, the Ring Road JV has obtained an approval from the Guangzhou Municipal Government which grants a more preferential tax treatment in the form of a five year exemption from, to be followed by a five year 50% reduction in the rate of, foreign enterprise income tax, commencing from the first profit-making year. However, pursuant to current PRC tax laws and regulations, the Ring Road JV is required to obtain an approval from the State Tax Bureau to be entitled to the more preferential tax treatment granted by the Guangzhou Municipal Government. The Ring Road JV intends to apply for such approval in due course. The Ring Road JV is also exempt from paying a local income tax of 3% for ten years beginning with its first profit-making year. Notwithstanding the above, according to tax regulations in Guangdong, the period of exemption and reduction from paying local income tax will be equal to the final approved period of exemption granted to the Ring Road JV in respect of paying foreign enterprise income tax. The Ring Road JV is required to pay business tax (currently set at a rate of 5%) on its toll receipts. See "Taxation" in relation to each Project in "The Road Projects".

PRC Government Policies

The Company is aware of proposals by the Guangdong Provincial Government to unify toll rate multipliers, as well as to implement changes to toll collection arrangements in Guangdong Province. If these proposals are adopted, the Group's revenue and earnings with respect to Phase 1 West and future projects may be adversely affected. See "Risk Factors — Risks Relating to PRC Toll Road Sector".

Critical Accounting Policies

The discussion and analysis of the Group's financial condition and results of operations are based on its audited combined financial statements prepared in accordance with IFRS. The Group's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Group's combined financial statements. The management bases its assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not apparent from other sources. The management evaluates its estimates on an on-going basis. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Group's combined financial information. The Group's significant accounting policies are set forth in detail in Note 2 to the financial information in the Accountants' Report in Appendix I. The management believes the following critical accounting policies, among others, involve the most significant judgements and estimates used in the preparation of the Group's combined financial information.

Accounting for Interests in Jointly Controlled Entities

A jointly controlled entity is a joint venture in which the Group, together with other venturers, undertakes an economic activity which is subject to joint control and in which none of the venturers has unilateral control over the economic activity. All major business and policy decisions are made with mutual consent. The Group accounts for its interests in the jointly controlled entities using proportionate consolidation in accordance with IFRS. Accordingly, the Group includes its share of the jointly controlled entities' income and expenses, assets and liabilities, and cash flows in the relevant components of its combined financial statements on a line-by-line basis. Balances and transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's attributable share of the corresponding balances and transactions accounted for by the jointly controlled entities. The remaining portion of the balances and transactions, accounted for by the Group but not eliminated on proportionate consolidation, will be reflected appropriately in the combined financial statements. To the extent that the cost of investment of the Group in the jointly controlled entities exceeds the Group's attributable share of the value of the identifiable assets and liabilities, it is carried as additional investment cost in jointly controlled entities.

Impairment

The carrying value of the Group's assets, including property and equipment as well as additional investment cost in jointly controlled entities, are reviewed at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. The Group considers both the external and internal factors which may affect the business, technological or legal environment in which the Group and its jointly controlled entities operate and the economic performance of assets. Any events and changes in circumstances that indicate the recorded carrying amounts may not be recoverable signal impairment of such assets. If, in the judgement of the Directors, any such indication exists, the recoverable amounts of the assets are estimated and the impairment losses, which represent the difference between the carrying amounts of the assets and their recoverable amounts, are recognised as an expense immediately.

The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the assets are discounted to their present value, which requires significant judgment in terms of projection of cash flows for future periods, the assumption on the pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately. For the accounting periods presented in the Accountants' Report in Appendix I, no impairment losses were recognised or reversed in the Group's combined income statement.

Depreciation of Toll Roads

The book value of the expressways of the Group's jointly controlled entities is depreciated based on the ratio of their actual traffic volume compared to the total expected traffic volume of the toll-expressways over the remaining operating period of the respective jointly controlled entities. The management of the Group reviews the expected traffic volume of the toll roads at each balance sheet date in order to determine the amount of depreciation expense to be recognised throughout the remaining operating period. The accounting policy of the Group for depreciation of toll roads is by reference to traffic projection reports prepared by independent traffic consultants which will be conducted on a regular basis going forward. Traffic volume is affected by availability, quality, proximity and toll rate differentials of alternative roads, as well as connection with other feeder roads and overall economic growth of the relevant regions. Any material deviation in the above factors from the management's or the independent traffic consultants' assumptions could affect the depreciation. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Amortisation of additional investment cost in jointly controlled entities

The Group has incurred additional development expenditure for the construction and development of the toll-expressways operated by the jointly controlled entities 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 relevant jointly controlled entities, is included in costs of toll-expressways. The remainder of such costs are carried as additional investment cost in jointly controlled entities and are amortised on the same basis as that adopted by the relevant jointly controlled entities in depreciating their toll-expressways.

Deferred Taxation

The Group recognises deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The Group's jointly controlled entities have been granted exemptions and reductions for income tax in respect of certain years starting from the first taxable profit making year. The first taxable profit making year is determined after deducting available tax losses brought forward. Pursuant to the income tax law of the PRC, tax losses can be carried forward to offset future taxable profit over five years. Deferred tax provisions in respect of the temporary difference between the depreciation allowance for tax computation and the depreciation charge for financial accounting are calculated at the tax rates that are expected to be applied to the period when the liability is settled. Deferred tax assets in respect of the available tax losses are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The Group reviews the profit forecast of the jointly controlled entities at each balance sheet date in order to assess the expected timing of crystallization or realisation of the existing temporary differences. Any significant change between the actual performance of the operation and the previous forecast will cause changes in the tax status of the jointly controlled entities which in turn will affect the computation of deferred taxation.

Results of Operations for the Years Ended 30 June, 2000, 2001, 2002 and the Ten Months Ended 30 April, 2002 and 2003

Ten Months Ended 30 April, 2003 Compared to Ten Months Ended 30 April, 2002[(1)]

Toll receipts increased by HK$95.5 million, or 12.5% from HK$765.7 million in the ten months ended 30 April, 2002 to HK$861.2 million in the ten months ended 30 April, 2003 mainly as a result of increased traffic flow on the Group's expressways. Increase in the toll receipts of the GS Superhighway JV contributed HK$82.6 million or 86.5% and increase in the toll receipts of the Ring Road JV contributed HK$12.9 million or 13.5% to the overall increase. Other operating income decreased by 57.7% from HK$126.4 million in the ten months ended 30 April, 2002 to HK$53.5 million in the ten months ended 30 April, 2003. A large percentage of the Group's other operating income in the ten months ended 30 April, 2002 was derived from interest income from the Group's loans to the GS Superhighway JV and returns on registered capital of the GS Superhighway JV. Interest income from shareholder loans to the GS Superhighway JV decreased significantly in the corresponding period in 2003 because the shareholder loan was fully repaid. Overall revenue increased 2.5% from HK$892.0 million to HK$914.7 million.

Operating expenses excluding depreciation and amortisation increased by 21.0% from HK$106.5 million in the ten months ended 30 April, 2002 to HK$128.9 million for the corresponding period in 2003 primarily due to an increase in ticket printing charges and repair and maintenance expenses mainly as a result of increased traffic flow on the Group's expressways. Depreciation and amortisation of

Note:

(1) Combined financial information based on unaudited management accounts of the Group for the ten months ended 30 April, 2002 is presented for comparison purpose only.

additional investment cost in the ten months ended 30 April, 2003 increased by 17.9% from HK$134.1 million to HK$158.1 million due to higher actual traffic volume on the Group's expressways and the revision of the traffic flow projection of the Group's expressways over the remaining joint venture period. General and administrative expenses increased by 23.9% from HK$41.9 million to HK$51.9 million during this period primarily as a result of increased legal and professional fees.

Finance costs in the ten months ended 30 April, 2003 decreased 8.8% from HK$183.9 million to HK$167.7 million due to the reduction of interest rate from refinancing of the shareholder loan to the GS Superhighway JV. The Group's proportionate share of net profit from the JV Enterprises increased by HK$158.4 million, or 46.2% from HK$342.9 million in the ten months ended 30 April, 2002 to HK$501.3 million in the ten months ended 30 April, 2003 due to increase in toll receipts. Increase in the net profits of the GS Superhighway JV and the Ring Road JV contributed HK$139.9 million and HK$18.5 million, respectively. The Group's effective tax rate increased from 3.4% to 3.6% in the ten months ended 30 April, 2003. Income tax expenses increased by 1.9% from HK$16.1 million in the ten months ended 30 April, 2002 to HK$16.4 million in the ten months ended 30 April, 2003. Profit after minority interest decreased 2.3% from HK$444.0 million for the ten months ended 30 April, 2002 to HK$433.7 million for the ten months ended 30 April, 2003. Net profit margin decreased from 58.0% to 50.4% despite the increase in toll receipts in the ten months ended 30 April, 2003 mainly due to the decrease in other operating income and the increase in operating expenses.

Year Ended 30 June, 2002 Compared to Year Ended 30 June, 2001

Toll receipts increased by HK$58.7 million, or 6.8% from HK$859.8 million in fiscal year 2001 to HK$918.5 million in fiscal year 2002 mainly as a result of greater traffic flow on the GS Superhighway. The increase in toll receipts of the GS Superhighway JV contributed HK$57.3 million, or 97.6% and the increase in toll receipts of the Ring Road JV contributed HK$1.4 million or 2.4% to the overall increase. However, other operating income fell, largely due to reduction of interest income following the GS Superhighway JV's full repayment of its shareholder loan from the Group. As a result, overall revenue decreased by 9.6% from HK$1,183.6 million in fiscal year 2001 to HK$1,070.1 million in fiscal year 2002.

In fiscal year 2002, operating expenses excluding depreciation and amortisation decreased slightly by 3.5% from HK$132.4 million in fiscal year 2001 to HK$127.8 million due to a decrease in repair and maintenance cost. Depreciation and amortisation of additional investment cost increased by 35.6% from HK$118.7 million to HK$160.9 million due to higher actual traffic volume on the Group's expressways and the revision of the traffic flow projection of the Group's expressways over the remaining joint venture period. General and administrative expenses increased by 6.1% from HK$47.3 million to HK$50.2 million during the same period due to increased legal and professional fees relating to tax advice on application for exemption from withholding tax on interest paid to the Group and the completion bonus paid to the contractor of the Ring Road JV.

Refinancing of certain of the JV Enterprises' loans resulted in lower interest expenses and finance costs decreased 27.3% from HK$303.6 million to HK$220.6 million. The Group's proportionate share of net profit from the JV Enterprises increased by HK$226.7 million, or 94.3% from HK$240.5 million in fiscal year 2001 to HK$467.2 million in fiscal year 2002 mainly due to an increase in traffic flow on the Group's expressways and the refinancing of GS Superhighway JV's shareholder loan which reduced financing costs. The net profit of the GS Superhighway JV increased by HK$231.2 million while the net profit of the Ring Road JV decreased by HK$4.5 million. The Group's effective tax rate decreased from 4.1% to 3.4% in fiscal year 2002. Income tax expenses decreased by 25.2% from HK$25.8 million to

HK$19.3 million mainly because the Ring Road JV incurred greater tax losses. Overall profit after taxation decreased by 10.2% from HK$603.1 million to HK$541.5 million. After taking into account minority interest, the Group's profit decreased 11.4% from HK$600.6 million for fiscal year 2001 to HK$532.4 million in fiscal year 2002. Net profit margin decreased from 69.9% to 58.0% in fiscal year 2002 mainly as a result of the decrease in other operating income and the increase in other operating expenses.

Year Ended 30 June, 2001 Compared to Year Ended 30 June, 2000

Toll receipts increased by HK$90.2 million, or 11.7% from HK$769.6 million to HK$859.8 million principally because operation of the entire Guangzhou E-S-W Ring Road commenced in June 2000. The increase in the toll receipts of the GS Superhighway JV contributed HK$67.9 million, or 75.3% and the increase in the toll receipts for the Ring Road JV contributed HK$22.3 million, or 24.7% to the overall increase in fiscal year 2001. Other operating income increased 21.1% from HK$267.4 million in fiscal year 2000 to HK$323.8 million in fiscal year 2001 primarily due to higher interest income from the Group's loans to the GS Superhighway JV. Interest income accrued and compounded during fiscal years 2000 and 2001 on these loans because payment of interest was restricted until the full repayment of the Original Syndicated Facility (see "The Road Projects — The Guangzhou-Shenzhen Superhighway — Financing"), which occurred in fiscal year 2001. Overall revenues increased by 14.1% from HK$1,037.0 million to HK$1,183.6 million.

Operating expenses excluding depreciation and amortisation increased 16.3% from HK$113.8 million to HK$132.4 million primarily due to repairs and maintenance of the roads, increased staff costs and increased ticket printing charges as a result of the increase in traffic flow on the GS Superhighway and the Guangzhou E-S-W Ring Road becoming fully operational. In fiscal year 2001, depreciation and amortisation of additional investment cost rose by approximately 10.9% from HK$107.0 million to HK$118.7 million due to higher actual traffic volume on the Group's expressways and the revision of the traffic flow projection of the Groups expressways over the remaining joint venture period. General and administrative expenses increased by 25.5% from HK$37.7 million to HK$47.3 million mainly due to the payment of management fee to the Group and the GS Superhighway PRC Partner.

Aggregate finance costs for the Group increased 13.4% as significant decrease in financing costs for the GS Superhighway JV was offset by an increase in costs relating to the Ring Road JV's new project finance facilities. The Group's proportionate share of the JV Enterprises' net profit increased by HK$67.0 million, or 38.6% from HK$173.5 million in fiscal year 2000 to HK$240.5 million in fiscal year 2001 principally because of the increase in traffic flow on the GS Superhighway and the Guangzhou E-S-W Ring Road becoming fully operational. Increase in the net profits of the GS Superhighway JV and the Ring Road JV contributed HK$50.0 million and HK$17.0 million, respectively. The Group's effective tax rate decreased from 4.5% in fiscal year 2000 to 4.1% in fiscal year 2001. Income tax expenses increased from HK$24.7 million to HK$25.8 million. Overall profit after taxation increased 15.1% from HK$523.8 million to HK$603.1 million. Profit after minority interest increased by 15.7% from HK$518.9 million in fiscal year 2000 to HK$600.6 million in fiscal year 2001. Net profit margin increased from 67.4% to 69.9% in fiscal year 2001 because increase in toll receipts and other operating income offset higher operating expenses and finance costs.

Liquidity and Capital Resources

The Group and the JV Enterprises finance their working capital requirements primarily through funds generated from operations, shareholder loans and bank financing. The Group had combined cash and cash equivalents of HK$259.2 million, HK$512.7 million and HK$97.8 million as of 30 June, 2000, 2001 and 2002, respectively and HK$180.9 million and HK$291.1 million as of 30 April, 2002 and 2003 respectively. The following is a summary of the Group's combined cash flow data for the periods indicated:

	Year ended 30 June,			Ten months ended 30 April,	
	2000	2001	2002	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cash inflow/(outflow) from:					
Operating activities	596,938	690,888	707,531	554,806	847,935
Investing activities	(345,539)	1,318,207	3,177,454	3,120,027	431,685
Financing activities	(43,023)	(1,753,724)	(4,304,638)	(4,006,631)	(1,087,541)
Net cash inflow/(outflow) in cash and cash equivalents	208,376	255,371	(419,653)	(331,798)	192,079

Net cash inflow in fiscal year 2000 totaled HK$208.4 million. Net cash inflow from operating activities totaled HK$596.9 million. The Group's portion of purchases of property and equipment of HK$493.8 million and additional shareholder loans to the Ring Road JV of approximately HK$158.6 million reflect construction costs for the Guangzhou E-S-W Ring Road which contributed to net cash outflow of HK$345.5 million from investing activities in fiscal year 2000. Net cash outflow of HK$43.0 million from financing activities was mainly the result of repayment of part of the Original Syndicated Facility on-lent to the GS Superhighway JV.

Net cash inflow increased by HK$47.0 million or 22.6% to HK$255.4 million between fiscal year 2000 and fiscal year 2001. In fiscal year 2001, net cash inflow was mainly affected by the refinancing of the Original Syndicated Facility on-lent to the GS Superhighway JV. The GS Superhighway JV borrowed new bank loans and used the proceeds, together with a portion of its cash generated from operations, to repay the outstanding amount of HK$2,871.6 million of the Original Syndicated Facility. After eliminating a certain portion of the repayments to reflect intercompany transactions, this refinancing increased repayments of loans to jointly controlled entities to HK$1,436.7 million which contributed to net cash inflow HK$1,318.2 million from investing activities. The refinancing also contributed to the net cash outflow of HK$1,753.7 million from financing activities by increasing repayments of bank and other loans to HK$2,998.6 million. This was partially offset by the HK$1,283.2 million in net new bank and other loans (after eliminating a certain portion of the loans to reflect intercompany transactions).

Net cash outflow for fiscal year 2002 totaled HK$419.7 million. Net cash inflow from operating activities totaled HK$707.5 million for the period. Both the GS Superhighway JV and the Ring Road JV refinanced their shareholder loans in fiscal year 2002, significantly affecting cash flow from investing and financing activities. The refinancings resulted in net repayments of loans to jointly controlled entities totaling HK$3,171.3 million (after eliminating a certain portion of the loans to reflect intercompany transactions) and contributed to net cash flow of HK$3,177.5 million from investing activities for the period. Net cash outflow of HK$4,304.6 million from financing activities was principally the result of HK$3,296.7 million in new bank and other loans, HK$1,295.9 million in repayments of bank and other loans and HK$5,868.5 million in repayment of a portion of the intercompany loans borrowed from the Hopewell Group.

In the ten months ended 30 April, 2003 net cash inflow totaled HK$192.1 million. Net cash from operations increased to HK$847.9 million, benefiting from approximately HK$91.6 million in a refund of a tax deposit paid to the PRC tax authorities. The sale of unused land back to the appropriate municipal government for approximately HK$271.0 million and the repayment of the Group's shareholder loans of approximately HK$220.9 million (after eliminating portions to reflect intercompany transactions) contributed to net cash inflow of HK$431.7 million from investing activities. The absence of new loans and continued repayments of outstanding loans led to a net cash outflow of HK$1,087.5 million from financing activities.

Project Investments and Capital Expenditures

The committed project investments and capital expenditures of the Group, and the Group's proportionate share of those of the JV Enterprises, as of 31 May, 2003 are set forth as follows:

- The committed project investment of the Group consisted of RMB294 million already contributed to a subsidiary to fund in full of its portion of the registered capital of Phase 1 West JV upon its establishment.
- The committed project investment and capital expenditure to be borne by Phase 1 West JV upon its establishment consisted of RMB205.6 million relating to construction cost of the Project.
- The committed project investment and capital expenditure of the GS Superhighway JV consisted of RMB58.6 million for maintenance and repavement of the toll expressway and purchase of other equipment.

Although construction on the Phase 1 West Project has begun, the Phase 1 West JV has not been established. All costs incurred relating to the construction of the Project will be recognised by the Phase 1 West JV upon its establishment. The Phase 1 West JV Contract will provide that the Group will commit RMB294 million as part of the registered capital of Phase 1 West JV.

The Company continually monitors and evaluates opportunities to acquire and develop new infrastructure projects. See "Future Plans and Prospects". The capital required for the development of future projects (as well as for additions to its interests in existing Projects) will be met through a combination of cash on hand, project financing and proceeds of the Offering. The Company believes that additional financing options, in the forms of both debt and equity, would be available to it should further needs arise. The choice among these additional financing arrangements would depend on prevailing market conditions and financing costs.

Statement of Indebtedness and Contingent Liabilities

Borrowings

As at the close of business on 31 May, 2003, being the latest practicable date prior to the printing of this prospectus, the Group and the JV Enterprises had outstanding loans in the amounts as set forth below:

- The Group had outstanding (i) secured bank loans of HK$422.0 million; and (ii) unsecured advances from Hopewell Group of HK$5,004.3 million of which HK$4,500.0 million was subsequently capitalised. The remaining balance of such advances and the outstanding secured bank loans will be repaid from the proceeds of the Offering.
- The GS Superhighway JV had outstanding (i) secured bank loans and interest-bearing interest payable in the aggregate of HK$8,189.4 million; (ii) unsecured other loans in the aggregate of HK$191.7 million; and (iii) unsecured advances from joint venture partners other than the Group in the aggregate of HK$15.2 million.

- The Ring Road JV had outstanding (i) secured bank loans of HK$1,395.1 million; and (ii) unsecured advances from joint venture partners other than the Group in the aggregate of HK$1,588.9 million.

Mortgages and charges

The secured bank loans of the Group are secured by the pledge of the Group's investment in the Ring Road JV. The GS Superhighway JV's loans from Bank of China are secured by the operation right, toll collection right, insurance proceeds, all the bank accounts and all the assets of the GS Superhighway JV under the GS Superhighway project. The Ring Road JV's loan facility from China Construction Bank is secured by the toll collection right and contingent insurance proceeds (except the share of Ring Road PRC Partner) under the Guangzhou E-S-W Ring Road project.

Inter-company items

In anticipation of the Offering, an unsecured advance from the Hopewell Group of HK$4,500.0 million was capitalised. As a matter of historic practice, management of the Group's cash surpluses and working capital requirements has given rise to periodic fluctuations in inter-company balances as between the Group and the Hopewell Group. The remaining balance of the unsecured advance from the Hopewell Group (expected to be approximately HK$550 million at the time of completion of the Offering after taking account of the amounts which have been capitalised) will be repaid in full out of the proceeds of the Offering. (See "Use of Proceeds of the Offering"). Additionally, at the same time as the listing of the Company, all guarantees given by Hopewell, or other members of the Hopewell Group, in respect of loans to members of the Group will be released pursuant to arrangements under which the relevant lenders have agreed to the substitution of the Company as guarantor of the relevant obligations.

Disclaimer

Saved as disclosed above and apart from intercompany liabilities, neither the Company nor any of its subsidiaries at the close of business on 31 May, 2003 had any material mortgages, charges, debentures or other loan capital or bank overdraft, loans or similar indebtedness, or any hire purchase commitments, guarantees or any other material contingent liabilities. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, there has been no material change in the Group's indebtedness and contingent liabilities since 31 May, 2003.

Working Capital

Taking into account the net proceeds of the Offering and available banking facilities, the Company believes that it has sufficient working capital for its present requirements and the expenditures referred to in "Liquidity and Capital Resources — Project Investments and Capital Expenditures" above.

Debt Service

The Group and the JV Enterprises service their debts primarily through cash generated from operations. All currently outstanding loans are scheduled to be fully repaid by 2011. For the years ended 30 June, 2000, 2001 and 2002 and the ten months ended 30 April, 2002 and 2003, 32.8%, 32.6%, 28.2%, 28.2% and 26.7%, respectively, of the Group's combined profits from operations have been applied to meet its financing costs.

Gearing

The Group's gearing ratio as of 30 June, 2000, 2001 and 2002, and 30 April, 2003 was 34.5%, 26.4%, 47.9% and 47.8%, respectively. For these purposes, the gearing ratio represents total debt over total assets; however, amounts advanced by Hopewell Group have been excluded from total debt at each of the relevant balance sheet dates. All outstanding amounts advanced by Hopewell Group as of 30 April, 2003 have subsequently been capitalised or will be repaid upon the completion of the Offering.

The gearing ratio decreased from 34.5% as of 30 June, 2000 to 26.4% as of 30 June, 2001 mainly because amounts on-lent from the Original Syndicated Facility and the amounts outstanding under the Original Syndicated Facility were repaid. The increase to 47.9% as of 30 June, 2002 was principally due to the repayment of HK$5,868.5 million of the advanced amounts from Hopewell Group and the refinancing of shareholder loans by the GS Superhighway JV and the Ring Road JV. The gearing ratio remained relatively stable as of 30 April, 2003.

Contractual Obligations and Commercial Commitments

The following tables summarise contractual obligations and commercial commitments of the Group, and the Group's proportionate share of those of the JV Enterprises, as of 31 May, 2003 and the effect such obligations and commitments are expected to have on the Group's liquidity and cash flows in future periods.

The Group

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year[1]**	**1-3 years**	**4-5 years**	**Over 5 years**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Long-Term Debt	422,000	120,000	302,000	—	—
Operating Leases	600	554	46	—	—
Total Contractual Cash Obligations	422,600	120,554	302,046	—	—

	Amount of Commitment Expiration Per Period				
Other Commercial Commitments	**Total Amounts Committed**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Over 5 years**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Other Commercial Commitments[2]	276,948	276,948	—	—	—
Total Commercial Commitments	276,948	276,948	—	—	—

Notes:

(1) Current portion of long-term debt.

(2) Commercial commitments represent amounts that the Group has already contributed to a subsidiary to fund in full its portion of the registered capital of the Phase 1 West JV upon its establishment.

The JV Enterprises

Contractual Obligations	Payments due by Period				
	Total	Less than 1 year(1)	1-3 years	4-5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Long-Term Debt	4,818,354	291,822	747,082	1,270,699	2,508,751
Total Contractual Cash Obligations	4,818,354	291,822	747,082	1,270,699	2,508,751

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other Commercial Commitments(2)	248,858	55,172	193,686	—	—
Total Commercial Commitments	248,858	55,172	193,686	—	—

Notes:

(1) Current portion of long-term debt.

(2) Commercial commitments represent the Group's proportionate share of capital expenditure of the GS Superhighway JV and of the Phase 1 West project.

PRACTICE NOTE 19 OF THE LISTING RULES

The Directors are not aware of any circumstances which would have given rise to a disclosure requirement under Practice Note 19 of the Listing Rules if the Company were required to comply with that Practice Note at the date of this prospectus.

PROFIT ESTIMATE AND FORECAST

Profit estimate for the year ended 30 June, 2003

The Directors estimate that, in the absence of unforeseen circumstances, and on the basis set out in Appendix III, the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ended 30 June, 2003 will not be less than HK$522 million. The Directors are not aware of, nor do they expect, any extraordinary items which have arisen in respect of the year ended 30 June, 2003. On the basis of such profit estimate and a total of 2,160,000,000 Shares in issue prior to the Offering, the estimated earnings per Share for the year ended 30 June, 2003 will be HK$0.242, representing price/earnings multiples of 16.9 times and 19.6 times based on Offer Prices of HK$4.10 and HK$4.75 per Share, respectively.

Profit forecast for the year ending 30 June, 2004

The Directors forecast that, in the absence of unforeseen circumstances, and on the bases and assumptions set out in Appendix III, the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 30 June, 2004 will not be less than HK$700 million. The Directors are not aware of, nor do they expect, any extraordinary items which are likely to arise during the year ending 30 June, 2004.

On a fully-diluted basis, and (i) based on a proforma forecast combined profit of HK$702 million, comprising the above forecast combined profit (after taxation and minority interests but before extraordinary items) of HK$700 million adjusted for the interest that would have been earned from the estimated net proceeds of the Offering at a net after-tax interest rate of 1% per annum from 1 July, 2003 until 5 August, 2003 (being the day immediately before the expected date of receipt of the total net proceeds of the Offering) and (ii) assuming that 2,880,000,000 Shares (being the number of Shares expected to be in issue immediately after completion of the Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or upon the exercise of the subscription rights attaching to the Warrants or upon the exercise of options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares described in the paragraph headed "Written resolutions of the sole Shareholder passed on 16 July, 2003" in Appendix IX) will be in issue throughout the year, the forecast earnings per Share for the year ending 30 June, 2004 will be HK$0.244, representing price/earnings multiples of 16.8 times and 19.5 times based on Offer Prices of HK$4.10 and HK$4.75 per Share, respectively.

On the basis of the above profit forecast and based on the weighted average number of 2,809,180,328 Shares expected to be in issue during the year ending 30 June, 2004, the forecast earnings per Share on a weighted average basis for the year ending 30 June, 2004 will be HK$0.249, representing price/earnings multiples of 16.5 times and 19.1 times based on Offer Prices of HK$4.10 and HK$4.75 per Share, respectively. This weighted average number of Shares is based on the assumption that a total of 2,160,000,000 Shares will have been in issue from 1 July, 2003 until 5 August, 2003, and that a total of 2,880,000,000 Shares (being the same total number of Shares expected to be in issue from 6 August, 2003) will be in issue throughout the remainder of the financial year.

The texts of the letters from the auditors and reporting accountants, Deloitte Touche Tohmatsu, and from Citigroup, in respect of the profit estimate and forecast are set out in Appendix III.

DIVIDEND POLICY

Dividends may be paid only out of distributable profits and reserves of the Company in accordance with Cayman Islands laws generally and the Articles of Association of the Company. Further details are set out in the section headed "Dividends and other methods of distributions" in Appendix VIII.

The declaration of dividends is subject to the discretion of the board of Directors and any final dividend for a financial year is subject to shareholders' approval. The payment and the amount of any dividends will depend upon the Group's results of operations, cash flows, financial condition, the payment by subsidiaries of cash dividends to the Company, future prospects and other factors which the Directors may consider relevant. In addition, as the Company's controlling shareholder (as defined in the Listing Rules), Hopewell will be able to influence the Company's dividend policy. Dividends will be declared in Hong Kong dollars.

In the absence of unforeseen circumstances, the board of Directors intends to recommend and pay total dividends in respect of the year ending 30 June, 2004 of not less than HK$0.225 per Share. If for any reason the total dividends for the year ending 30 June, 2004 are lower than HK$0.225 per Share, the Company will issue an announcement stating the reasons for the difference.

DISTRIBUTABLE RESERVES

As at 30 April, 2003, the Company had not commenced business and, hence, at that time there were no reserves available for distribution to its shareholders.

ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 30 April, 2003, as shown in the Accountants' Report set out in Appendix I, adjusted as described below:

	Based on an Offer Price of HK$4.10 per Share	Based on an Offer Price of HK$4.75 per Share
	HK$'000	HK$'000
Audited combined net assets of the Group as at 30 April, 2003	1,246,912	1,246,912
Additional investment cost in jointly controlled entities(1)	(1,907,910)	(1,907,910)
Amounts due to the Hopewell Group capitalized pursuant to the Reorganisation	4,500,000	4,500,000
Unaudited combined net profit after taxation and minority interests of the Group for the month of May 2003 based on the Group's management accounts	42,826	42,826
Estimated net proceeds from the Offering(2)	2,787,000	3,255,000
Adjusted net tangible assets(4)	6,668,828	7,136,828
Adjusted net tangible asset value per Share(3)(4)	HK$2.32	HK$2.48

Notes:

(1) The additional investment cost in jointly controlled entities represents the excess of the cost of investment of the Group in jointly controlled entities over the Group's proportionate interest in the amounts of the identifiable assets and liabilities of the jointly controlled entities less accumulated amortisation, which is intangible in nature. Accordingly, such amount has been excluded in the calculation of the adjusted net tangible asset value of the Group.

(2) The estimated net proceeds from the Offering take no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or on exercise of the subscription rights attaching to the Warrants or which may be otherwise issued or repurchased by the Company.

(3) The adjusted net tangible asset value per Share is based on 2,880,000,000 Shares expected to be in issue immediately following the Offering but taking no account of any Shares which may fall to be issued upon exercise of the Over-allotment Option or on exercise of the subscription rights attaching to the Warrants or which may be otherwise issued or repurchased by the Company.

(4) The surplus on revaluation of the Group's interests in jointly controlled entities and the toll road project under development, being the excess of their fair market value over their carrying book value, has not been accounted for in arriving at the adjusted net tangible assets shown above. Please refer to the Business Valuation Report prepared by FPD, an independent business valuer, as set out in Appendix V for details of the valuation and the assumptions adopted. Had the surplus on revaluation been accounted for, the adjusted net asset value of the Group would have been HK$16,442,045,000 based on an Offer Price of HK$4.10 per Share and HK$16,910,045,000 based on an Offer Price of HK$4.75 per Share, representing HK$5.71 and HK$5.87 per Share respectively, calculated based on 2,880,000,000 Shares expected to be in issue immediately following the Offering.

(5) In arriving at the adjusted net asset value of the Group, the fair market value of the toll road projects denominated in Renminbi has been converted (for information only) into Hong Kong dollars using an exchange rate of HK$1.00 : RMB1.06. Such conversion should not be construed as a representation that amounts in Renminbi were or may have been converted into Hong Kong dollars using such exchanges rate or any other exchange rate.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading position of the Group since 30 April, 2003 (being the end of the periods covered by the Accountants' Report in Appendix I).

OVERVIEW

The Directors consider that the Company is well positioned to benefit from continued economic growth in the PRC in general, and within Guangdong Province and the PRD in particular. In addition to general economic factors, the Company's prospects depend on a combination of factors relevant to its existing Projects and its potential for participating in future projects.

PROSPECTS IN GUANGDONG AND THE PRD

In the shorter term, the Company expects to see continuing growth in traffic demand within Guangdong Province and the PRD driven by continuing economic growth in the PRC in general, and in Guangdong Province and the PRD in particular, and by associated growth in vehicle ownership and usage. Based on this expectation, the Company believes that traffic flow for the Group's existing Projects will show continuing growth.

While the Group's Projects are strategically important in their own right, the Company believes that the full potential of its various Projects will be further realised as the highway network in Guangdong Province and the PRD continues to develop further.

In view of the PRC Government's increased focus on the national highway network, the Company anticipates that the highway network within the PRD is set to become an integral component of a larger system by which locations within the PRD and Guangdong will be connected with leading cities across the PRC.

PROSPECTS FOR THE THREE EXISTING PROJECTS

The GS Superhighway

The GS Superhighway is a strategically important route. As the first and currently the only expressway directly connecting Guangzhou with Shenzhen and Hong Kong, the long-term significance of the expressway has been enhanced by the urban and industrial corridor which has developed along the route.

Guangzhou continues to expand, as do the towns, cities and industrial centres along the route of the GS Superhighway. For example, as Dongguan has expanded, its road network has also been developed and expanded significantly to provide enhanced connectivity with the GS Superhighway, thereby establishing the conditions for increased usage of the expressway.

The route is also well positioned to benefit from significantly improved convenience and efficiency of border crossing since the Huanggang border crossing with Hong Kong was opened on a 24 hour basis from 27 January, 2003.

The Guangzhou E-S-W Ring Road

Guangzhou is continuing to expand and develop as the commercial centre of Guangdong Province. As Guangzhou continues to expand and develop, there is an increasing need for routes to accommodate traffic away from the congested city centre and to support the city's outward expansion. This has led to changes in Guangzhou's traffic policy imposing access restrictions to central Guangzhou city.

Since implementation of these changes in December 2001 and May 2002, the Guangzhou E-S-W Ring Road has seen significant growth in traffic volumes. In light of the experience with other major cities, the Directors anticipate that the Guangzhou Ring Road, of which the Guangzhou E-S-W Ring Road is an integral part, will be an increasingly important component of the traffic system serving the greater Guangzhou metropolitan area.

Specifically, the Company believes the Guangzhou E-S-W Ring Road is well placed to benefit from increased traffic flow from the opening of major new connecting roads which are planned to be opened in 2004 and 2005 (see "The Road Projects — The Guangzhou East-South-West Ring Road — Destinations and Major Connections").

Phase 1 West

The completion of Phase 1 of the Western Delta Route will fulfil the strategic need for a high speed link between Guangzhou city and Shunde. It is expected to reduce the journey time between the two cities to approximately 10 to 15 minutes compared with around 40 minutes on existing local roads. The Company expects there to be an immediate and increasing demand for a high speed route between these major centres.

POTENTIAL FURTHER PROJECTS

The Directors believe that the Group's track record in successfully completing PRC toll-expressway projects, and the connections and reputation established by Hopewell and HHI and their directors and executives within the PRC, will continue to lead to opportunities to participate in further projects. However, the Company will only pursue opportunities which are consistent with its overall business strategies, and which the Company believes will generate a satisfactory return on investment.

In accordance with this strategy, the Company will be actively pursuing the following projects:

The Guangdong-HK-Macau Bridge-Tunnel Project

HHI has devoted significant efforts to promoting this project and will actively continue to pursue it. If the project proceeds, the Company believes it would be well positioned to participate subject to satisfactory investment considerations.

The Company believes that the development of a bridge-tunnel connecting Zhuhai in Guangdong and Macau with Hong Kong will be strategic to the further economic development of the PRD, Hong Kong and Macau.

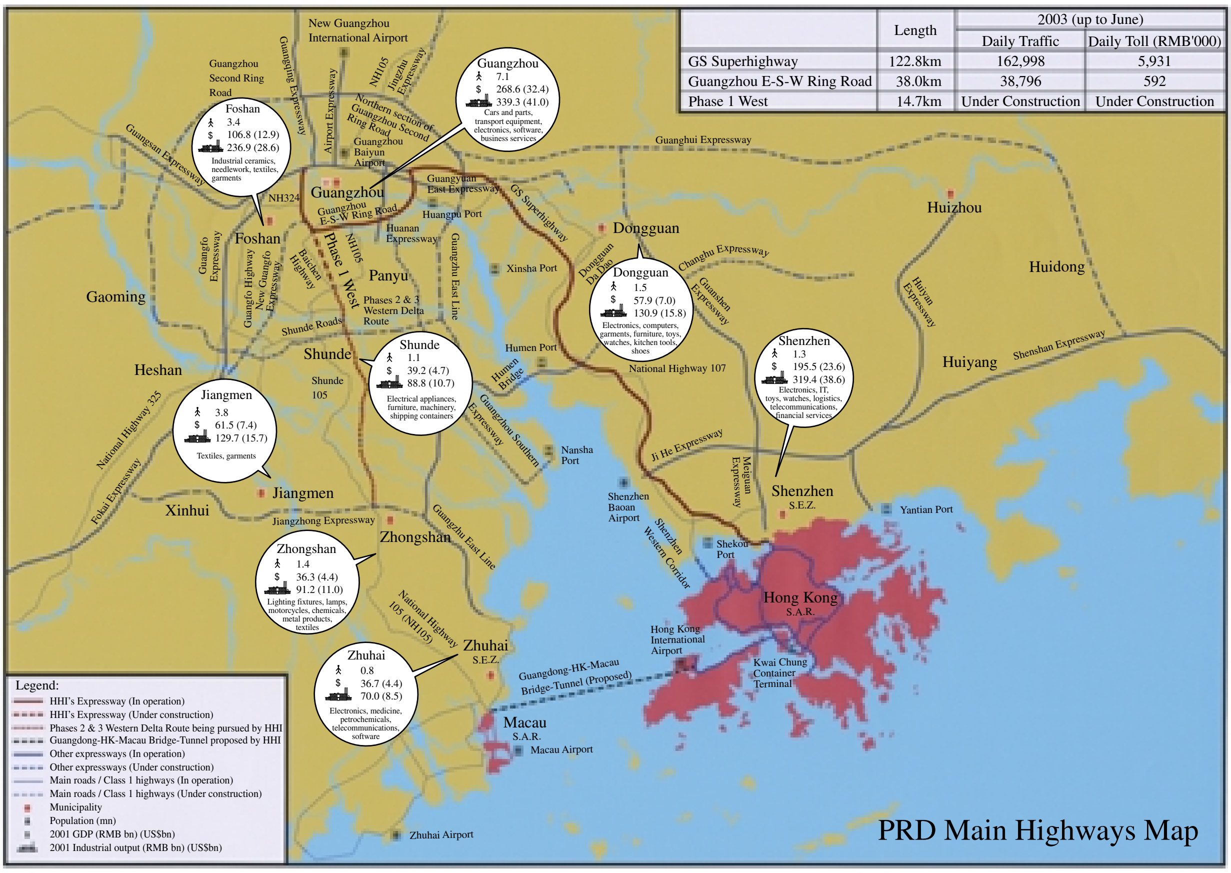
In addition to being a logical and significant step in furthering the development of the PRD, Macau and Hong Kong as an integrated economic zone, the Company believes that this project would open up and accelerate the economic development of the western PRD resulting in the enhancement of the overall competitiveness of the PRD as a world-wide manufacturing base, providing new dynamism to the economy of Hong Kong as well as further developing Hong Kong, Macau, Zhuhai and Shenzhen into an integrated tourist zone.

In the Policy Agenda of the Second Term Government of the HKSAR published on 8 January, 2003, and in the Hong Kong Chief Executive's address to the Hong Kong Legislative Council delivered on the same date, it was stated that such a bridge link is being pursued as a priority project subject to the results of an ongoing PRC governmental feasibility study. (See "Industry and Regulatory Overview — Current Industry Situation and Trends — Land Link Between Zhuhai in Guangdong, Hong Kong and Macau").

Phases 2 and 3 of the Western Delta Route

The Group, through HHI West Co, retains the concession rights for Phases 2 and 3 of the Western Delta Route. Although no firm plans have yet been formulated for development of Phases 2 or 3, the development of these further Phases is being actively pursued by the Group. This may be implemented by way of a joint venture with a suitable PRC partner.

Phases 2 and 3 of the Western Delta Route are envisaged to comprise approximately 43 km of expressway running from the southern end of Phase 1 West in Shunde through to Zhongshan. At Zhongshan, the route would connect with (i) National Highway 105, which runs through to Zhuhai in the south, and (ii) the Jiangzhong Expressway (planned to be completed in 2004) which will link Jiangmen in the west and the Guangzhu East Line in the east. On completion of all three Phases of the Western Delta Route, it would create an arterial expressway system directly linking Guangzhou, Nanhai, Shunde and Zhongshan. (See "The Road Projects — Phase 1 West — Phases 2 and 3 of the Western Delta Route").



The net proceeds of the Offering (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$4.425 per Share, being the midpoint of the estimated Offer Price range of HK$4.10 to HK$4.75 per Share) are estimated to be approximately HK$3,021 million (and HK$3,499 million, if the Over-allotment Option is exercised in full).

The Company currently intends to use the net proceeds from the Offering as follows:

- approximately HK$1,800 to 2,200 million of the net proceeds (exclusive of any proceeds from the Over-allotment Option) are expected to be used towards investments in new toll roads, bridges and related infrastructure projects which the Company intends to pursue;
- approximately HK$550 million of the net proceeds (exclusive of any proceeds from the Over-allotment Option) are to be used for repayment of shareholder's loans advanced by the Hopewell Group for Guangzhou E-S-W Ring Road Project;
- approximately HK$372 million of the net proceeds (exclusive of any proceeds from the Over-allotment Option) are to be used for repayment of the outstanding bank loan from Bank of China (Hong Kong) Limited; and
- the balance (inclusive of any proceeds from the Over-allotment Option) is expected to be used for future corporate and general working capital purposes of the Group.

To the extent that the proceeds of the Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institution or held as other treasury instruments.

UNDERWRITERS

Public Offer Underwriters

Citigroup Global Markets Asia Limited
BOCI Asia Limited
BNP Paribas Peregrine Capital Limited
Daiwa Securities SMBC Hong Kong Limited
J.P. Morgan Securities (Asia Pacific) Limited
Morgan Stanley Dean Witter Asia Limited
CLSA Limited
ING Bank N.V.
UOB Asia (Hong Kong) Limited
ICEA Capital Limited
Kim Eng Securities (Hong Kong) Ltd
South China Securities Limited
Sun Hung Kai International Limited
VC CEF Capital Limited

International Underwriters

Citigroup Global Markets Limited
BOCI Asia Limited
BNP Paribas Peregrine Capital Limited
Daiwa Securities SMBC Hong Kong Limited
J.P. Morgan Securities Ltd.
Morgan Stanley & Co. International Limited
CLSA Limited
ING Bank N.V.
UOB Asia (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreements

The Public Offer is fully underwritten by the Public Offer Underwriters and the International Offer is expected to be fully underwritten by the International Underwriters, in each case on a several basis. The Public Offer Underwriting Agreement was entered into on 25 July, 2003 and, subject to an agreement being reached on the Offer Price between the Company and Citigroup (on behalf of the Underwriters), the International Underwriting Agreement is expected to be entered into on or around 31 July, 2003. The Public Offer Underwriting Agreement is conditional upon (among other things) the International Underwriting Agreement being entered into and having become effective, and the respective Underwriting Agreements are expected to be inter-conditional. (See "Structure of the Offering — Conditions of the Public Offer").

Grounds for termination

Citigroup (on behalf of itself and the Public Offer Underwriters) may in its absolute determination terminate the Public Offer Underwriting Agreement with immediate effect upon giving notice to the Company at any time at or prior to 6:00 a.m. on the Listing Date if:

(a) any material breach of any of the Warranties (as defined in the Public Offer Underwriting Agreement) has come to the knowledge of any of the Public Offer Underwriters, or there has been a material breach by the Company or Hopewell of any other provision of the Public Offer Underwriting Agreement or any other of the documents relating to the Offering as specified in the Public Offer Underwriting Agreement to which it is, or is to be, party; or

(b) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus and not having been disclosed to or known to Citigroup, constitute a material omission therefrom; or

(c) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(d) there shall have occurred any event, act or omission which gives rise or is reasonably likely to give rise to any material liability of the Company or Hopewell pursuant to the indemnities given by them in the Public Offer Underwriting Agreement; or

(e) there shall have been any material adverse change in the business or the financial or trading position or results of operations of the Group and the JV Enterprises taken as a whole; or

(f) there shall have occurred, happened or come into effect:

   (i) any event or series of events, matters or circumstances concerning or relating to, or any change in, local, national or financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong, the United States, the PRC, Japan or England (collectively, the "Relevant Jurisdictions"); or

   (ii) any new law or regulation or change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority, in the Relevant Jurisdictions; or

   (iii) any event or series of events of force majeure in or affecting any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

   (iv) any event or series of events, matters or circumstances concerning or relating to, or any change in the conditions of, the Hong Kong or the US equity securities or other financial markets; or

   (v) any outbreak or escalation of hostilities in or affecting any of the Relevant Jurisdictions, the declaration by any of the Relevant Jurisdictions of a national emergency or war, or other calamity or crisis in or affecting any of the Relevant Jurisdictions; or

   (vi) the imposition or declaration of (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange or the London Stock Exchange or (B) any moratorium on banking activities or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or

(vii) a change in taxation or exchange control (or the implementation of any exchange control) in any Relevant Jurisdiction or affecting an investment in the Shares;

which in the sole opinion of Citigroup:

(A) is or will be, or is likely to be, materially adverse to the business or financial condition or prospects of the Group and the JV Enterprises taken as a whole; or

(B) makes it inadvisable or impracticable to proceed with the Public Offer and/or the International Offer.

Undertakings

The Company has undertaken to Citigroup and the Underwriters that, except:

(a) pursuant to the Offering (including the Over-allotment Option); or

(b) pursuant to the Share Option Scheme; or

(c) pursuant to the exercise of the subscription rights attaching to the Warrants; or

(d) with the prior written consent of Citigroup (on behalf of itself and the Underwriters),

neither the Company nor any of its subsidiaries shall, during a period of six months from the Listing Date, allot, issue, offer, sell, contract to sell, hedge, grant any option or right to subscribe or purchase, agree to allot or issue or otherwise dispose of any Shares or any securities exchangeable or convertible into Shares or which carry rights to subscribe or purchase Shares or deposit Shares with a depositary in connection with the issue of depositary receipts or (i) enter into any swap or other transaction that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or (ii) offer to or agree to do any of the foregoing or announce any intention to do any of the foregoing.

Hopewell has undertaken to Citigroup and the Underwriters and the Company that:

(a) within the period of six months from the Listing Date (the "First Six-month Period"), without the prior written consent of Citigroup (on behalf of itself and the Underwriters), it shall not (and shall procure that its subsidiaries shall not) dispose of:

(i) any Shares or any direct or indirect interest therein (including, without limitation, any option, mortgage, pledge, charge or other security interest) or any securities convertible into, exercisable or exchangeable for any of the foregoing or enter into any swap or other arrangement that transfers, in whole or in part, any part of the economic consequence of ownership of any Shares; or

(ii) any direct or indirect interests in any company or entity holding any Shares (other than companies or entities holding solely Shares acquired following the commencement of dealings in the Shares on the Stock Exchange ("Dealings Commencement")),

or offer or agree to do any of the foregoing or announce any intention to do so; and

(b) in the event of such a disposal of any Shares or any interest therein within the period of six months following the expiry of the First Six-month Period, it shall not cease to be a controlling shareholder of the Company within the meaning of the Listing Rules and all reasonable steps will be taken to ensure that such a disposal will not create a disorderly or false market.

These undertakings given by Hopewell do not apply to or restrict any disposal of Shares (i) pursuant to the possible stock lending arrangements referred to below under "Structure of the Offering — Over-allotment Option and Stabilization — Stabilizing Action" or (ii) to any wholly-owned subsidiary of Hopewell if and provided that such disposal is in compliance with any and all applicable provisions of the Listing Rules (including if waived by the Stock Exchange) or (iii) in which Hopewell or its subsidiaries may become interested in compliance with any and all applicable provisions of the Listing Rules following Dealings Commencement or (iv) subject to the prior approval of the Stock Exchange having been obtained, pursuant to the BOC Option.

Hopewell has separately undertaken to Citigroup, the Underwriters and the Company to comply with its obligations under Rule 10.07 of the Listing Rules with respect to the disposal of any Shares of the Company in respect of which it is (directly or indirectly), or is shown in this prospectus to be, the beneficial owner (in either case, immediately following the Offering and unless waived by the Stock Exchange), and to procure that its subsidiaries comply with such obligations.

Citigroup may agree to amend or waive or grant consents in respect of any such undertakings given to Citigroup and the Underwriters by the Company or Hopewell on such terms as Citigroup (on behalf of itself and the Underwriters) sees fit.

The Company has undertaken to the Stock Exchange that:

(a) in the First Six-month Period, it shall not allot or issue or agree to allot or issue any Shares or other securities (including warrants or other convertible securities) or grant or agree to grant options or rights over any Shares or other securities or enter into swap or other arrangements that transfer, in whole or in part, any part, of the economic consequence of ownership of any Shares or offer or agree to do any of the foregoing or announce any intention to do so, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules; and

(b) in the period of six months commencing from the expiry of the First Six-month Period ("the "Second Six-month Period"), it shall not allot or issue or agree to allot or issue any Shares or other securities (including warrants or other convertible securities) or grant or agree to grant options or rights over any Shares or other securities or enter into swap or other arrangements that transfer, in whole or in part, any part of the economic consequence of ownership of any Shares or offer or agree to do any of the foregoing or announce any intention to do so, if such action would result in Hopewell ceasing to be its controlling shareholder,

except that the above undertaking shall not be applicable in the case (i) where the Company is required to allot Shares pursuant to the Offering, the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or the subscription rights attaching to the Warrants or (ii) of any capitalisation issue or any consolidation or sub-division of Shares.

Hopewell has undertaken to the Stock Exchange that, except pursuant to the possible stock lending arrangements referred to below under "Structure of the Offering — Over-allotment Option and Stabilization — Stabilizing Action":

(a) in the First Six-month Period, it shall not, and shall procure its subsidiaries not to, dispose of any Shares in respect of which it or its subsidiary (as the case may be) is shown by this prospectus to be the beneficial owner; and

(b) in the Second Six-month Period, it shall not, and shall procure its subsidiaries not to, dispose of any Shares if, immediately following such disposal, it or its subsidiary (as the case may be) would cease to be a controlling shareholder of the Company.

In addition, Hopewell has also undertaken to the Stock Exchange and to the Company that it will inform the Company if either it or any of its subsidiaries (i) pledges or charges any securities of the Company beneficially owned by it (together with the number of any securities so pledged or charged) and (ii) receives any indications, either verbal or written, that any of the pledged or charged securities of the Company will be disposed of pursuant to such pledging or charging arrangements during the 12 month period commencing on the Listing Date. The Company will then immediately inform the Stock Exchange of such matters and also disclose such matters by way of a press notice which is published in the newspapers as soon as possible.

Commission and expenses

The Underwriters' fees and commissions, together with the listing fees, SFC transaction levy and investor compensation levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Offering, which are estimated to amount to approximately HK$165 million in aggregate, will be payable by the Company.

Underwriters' interest in the Company

Save for its obligations under the relevant Underwriting Agreement(s), none of the Underwriters has any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

THE OFFERING

The Offering comprises the Public Offer and the International Offer. A total of 720,000,000 Shares will initially be made available under the Offering of which 648,000,000 Shares will be available to investors in the International Offer and the remaining 72,000,000 Shares will initially be offered to the public under the Public Offer (subject, in each case, to reallocation on the basis described below under "The Public Offer").

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the International Offer, but may not do both. Investors may only receive Shares under either the International Offer or the Public Offer, but not under both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offer will involve the selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares, as well as a public offer without listing in Japan. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

As part of the International Offer process, prospective professional, institutional and other investors will be required to specify the number of Offer Shares they would be prepared to acquire under the International Offer either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or before, the Price Determination Date.

Allocation of the Offer Shares pursuant to the International Offer will be determined by Citigroup and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, its Offer Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole.

Allocation of Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for, but, subject to that, will be made strictly on a pro-rata basis, although the allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The 720,000,000 Offer Shares initially being offered in the Offering will represent 25% of the Company's enlarged Share capital immediately after completion of the Offering, without taking into account the exercise of the Over-allotment Option or the exercise of any subscription rights attaching to the Warrants. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged Share capital of the Company immediately after completion of the Offering and the exercise of the Over-allotment Option, without taking into account the exercise of any subscription rights attaching to the Warrants. If the Over-allotment Option and the subscription rights attaching to the maximum number of approximately 87,533,990 Warrants are all exercised in full, the Offer Shares and the Shares issued pursuant to the exercise of the Warrants would represent approximately 29.8% of the enlarged issued share capital of the Company immediately after completion of the Offering.

OFFER PRICE UNDER THE PUBLIC OFFER

The Offer Price for the purposes of the Public Offer is expected to be fixed by agreement between Citigroup, on behalf of the Underwriters, and the Company following completion of the bookbuilding process for the International Offer and after assessment of the level of market demand for the Offering.

Price Payable on Application

The Offer Price will not be more than HK$4.75 and is expected to be not less than HK$4.10. Applicants under the Public Offer should pay, on application, the maximum price of HK$4.75 per Public Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee, 0.005% SFC transaction levy and 0.002% investor compensation levy amounting to a total of HK$2,399.04 per board lot of 500 Offer Shares.

If the Offer Price, as finally determined in the manner described below, is lower than the maximum price, appropriate refund payments (including the brokerage, the Stock Exchange trading fee, SFC transaction levy and investor compensation levy attributable to the surplus application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for Public Offer Shares".

Determining the Offer Price

The Offer Price is expected to be fixed by agreement between Citigroup, on behalf of the Underwriters, and the Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 31 July, 2003 and, in any event, no later than 3 August, 2003.

The Offer Price will not be more than HK$4.75 per Offer Share and is expected to be not less than HK$4.10 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Citigroup, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times notices of the reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics as currently set out in the section headed "Summary", and any other financial information which may change as a result of such reduction. **If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced such applications cannot be subsequently withdrawn.** In the absence of any notice being published in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times of a reduction in the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If Citigroup (on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price, the Offering will not become unconditional and will lapse.

An announcement of the Offer Price, together with the level of interest in the International Offer and the results of application and basis of allotment of the Public Offer Shares, is expected to be published on 5 August, 2003.

CONDITIONS OF THE PUBLIC OFFER

All acceptances of applications for the Offer Shares in the Public Offer are conditional upon:

(a) **Listing**

the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon exercise of options granted under the Share Option Scheme), and the Warrants and any Shares which fall to be issued upon the exercise of the subscription rights attaching to the Warrants;

(b) **Pricing**

the Offer Price having been duly determined, and the International Underwriting Agreement having been duly entered into, on or about the Price Determination Date; and

(c) **Underwriting Agreements Unconditional**

the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by Citigroup for and on behalf of the Underwriters) and neither Underwriting Agreement being terminated in accordance with its terms or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the International Offer and the Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Offering will be caused to be published by the Company in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times on the day next following such lapse.

In the above situation, all application monies will be returned to the applicants, without interest and on the terms set out under "How to apply for Public Offer Shares". In the meantime, all application monies will be held in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares and Warrant certificates for the Warrants are expected to be issued by 5 August, 2003 but will only become valid documents of title at 6:00 a.m. on 6 August, 2003, provided that (i) the Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses" has not been exercised.

THE PUBLIC OFFER

The Public Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions described above under "Conditions of the Public Offer") for the subscription in Hong Kong of, initially, 72,000,000 Offer Shares at the Offer Price (representing approximately 10% of the total number of Offer Shares initially available under the Offering). Subject to any reallocation of Offer Shares between the International Offer and the Public Offer, the Public Offer Shares will represent approximately 2.5% of the Company's enlarged issued Share capital immediately after completion of the Offering assuming that the Over-allotment Option is not exercised (and before taking account of any further Shares which may be issued on exercise of the subscription rights attaching to the Warrants).

The total number of Offer Shares available under the Public Offer is to be divided equally into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee, the SFC transaction levy and investor compensation levy payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee, the SFC transaction levy and investor compensation levy payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this paragraph only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 72,000,000 Offer Shares initially included in the Public Offer (that is, 36,000,000 Offer Shares) will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offer, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Offer Shares between the Public Offer and the International Offer is subject to adjustment. If the number of Offer Shares validly applied for under the Public Offer represents 10 times or more but less than 15 times the number of Offer Shares initially available for subscription under the Public Offer, then International Offer Shares will be reallocated to the Public Offer from the International Offer, so that the total number of Offer Shares available under the Public Offer will be 144,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Offering. If the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then International Offer Shares will be reallocated to the Public Offer from the International Offer, so that the total number of Offer Shares available under the Public Offer will be 216,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Offering. If the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then the number of International Offer Shares to be reallocated to the Public Offer from the International Offer will be increased so that the total number of Offer Shares available under the Public Offer will be 288,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Offering. If the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of

Offer Shares initially available for subscription under the Public Offer, then the number of International Offer Shares to be reallocated to the Public Offer from the International Offer will be increased so that the total number of Offer Shares available under the Public Offer will be 360,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Offering.

The Company will reject multiple applications within pool A or pool B, and between the two pools. The Company, the Directors and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have received Shares in the International Offer, and to identify and reject indications of interest in the International Offer from investors who have received Shares in the Public Offer.

In addition, if the Public Offer is not fully subscribed, Citigroup will have the discretion to reallocate to the International Offer all or any unsubscribed Public Offer Shares in such numbers as it may deem appropriate.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

THE INTERNATIONAL OFFER

A total of 648,000,000 Offer Shares will initially be offered to investors under the International Offer, representing 90% of the Offer Shares available under the Offering and 22.50% of the Company's enlarged issued Share capital immediately after completion of the Offering, in each case assuming the Over-allotment Option is not exercised (and before taking account of any further Shares which may be issued on exercise of subscription rights attaching to the Warrants). Pursuant to the International Offer, the International Offer Shares will be offered and conditionally placed on behalf of the Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be offered to and placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States (other than the PRC) in offshore transactions in reliance on Regulation S, and in the United States with QIBs in reliance on Rule 144A. In Japan, the International Offer will include a public offer without listing. The International Offer is conditional on (among other things) the Public Offer becoming unconditional.

WARRANTS TO BE DISTRIBUTED TO SHAREHOLDERS OF HOPEWELL BY WAY OF ASSURED ENTITLEMENT RIGHTS

In order to permit holders of Hopewell Shares to participate directly in the benefit which may accrue from holding interests in the Company's equity share capital (and in recognition of the assured entitlements to which shareholders of Hong Kong listed companies are entitled under the Listing Rules in connection with "spin-off" listings), Qualifying Hopewell Shareholders will receive Warrants, free of consideration, by way of special interim distribution by Hopewell. Qualifying Hopewell Shareholders will receive Warrants in the ratio of 1 Warrant for every whole multiple of 10 Hopewell Shares respectively held by them on the Record Date. No fractional entitlements will be issued.

Satisfaction of the Assured Entitlement Rights would result in the creation and issue of up to approximately 87,533,990 Warrants, and the Shares which would fall to be issued on full exercise of the subscription rights attaching to all such Warrants would represent approximately 3.0% of the enlarged issued share capital of the Company (before taking account of the Over-allotment Option, and ignoring any further Shares issued pursuant to the Share Option Scheme or otherwise before the Warrants are exercised in full).

The Shares that may be issued on exercise of the subscription rights attaching to the Warrants may not represent Shares in multiple of a full board lot of 500 Shares, and dealings in odd lot Shares may be at below their prevailing market price. The Warrants and the underlying Shares have not been and will not be registered under the U.S. Securities Act of 1933 or under the securities laws of any state of the United States, and may not be exercised, offered or sold except pursuant to an exemption from, or in a transaction not subject to the registration requirements of, the U.S. Securities Act and applicable state securities laws. Accordingly, the Warrants are being offered and delivered only outside the United States and in accordance with Regulation S. Upon the exercise of the Warrants, the Shares are transferable pursuant to offers and sales that occur outside the United States in accordance with Regulation S or pursuant to one or more other exemptions for offers and sales of securities not involving a public offering under the U.S. Securities Act.

Each Qualifying Hopewell Shareholder who receives Warrants will be deemed to have represented and agreed as follows (terms used herein that are defined in Regulation S are used herein as defined therein):

(1) the Warrants and the underlying Shares have not been and will not be registered under the U.S. Securities Act or with any security regulatory authority of the United States or any other jurisdiction (other than Hong Kong) and are subject to significant restrictions on transfer;

(2) such Qualifying Hopewell Shareholder and the person, if any, for whose account it has received the Warrants, is a person other than a U.S. person (as such term is defined under Regulation S) and has received such Warrants outside the United States in an offshore transaction meeting the requirements of Regulation S;

(3) the Warrants may not be re-offered, sold, pledged or otherwise transferred at any time, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons (as such terms is defined under Regulation S). Consequently, any offer, sale, resale, trade or delivery made of the Warrants, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised; and

(4) the Shares issued upon the exercise of the Warrants may not be offered, sold, pledged or otherwise transferred except (a) outside the United States to persons other than U.S. persons in offshore transactions in reliance on Regulations S; (b) within the United States, pursuant to an exemption provided by Rule 144A under the U.S. Securities Act; or (c) after the expiration of 40 days from the date of issuance of the Warrants within the United States pursuant to one or more exemptions for offers and sales of securities not involving a public offering under the U.S. Securities Act and any applicable state securities laws of the United States.

In connection with the exercise of the Warrants, such holder must complete and sign a subscription form which shall include (a) a certification by such holder that the owner and the beneficial owner of each Warrant being exercised is not a U.S. person (as such term is defined under Regulation S) and is located outside the United States and (b) an authorisation for the production of such certification in any applicable administrative or legal proceeding.

Certificates for Warrants issued by way of Assured Entitlement Rights are expected to be despatched to Qualifying Hopewell Shareholders on 5 August, 2003 to their addresses as appear on the register of members of Hopewell on the Record Date but will only become valid documents of title at 6:00 a.m. on 6 August, 2003, provided that (i) the Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses” has not been exercised. The principal terms of the Warrants and the procedure for exercising the subscription rights are summarised in Appendix VII.

OVER-ALLOTMENT OPTION AND STABILIZATION

The Over-allotment Option

In connection with the Offering, the Company intends to grant to Citigroup on behalf of the International Underwriters the Over-allotment Option which will be exercisable by Citigroup on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement up to the date which is the 30th day after the latest date for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 108,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Offering, in connection with over-allocations in the International Offer, if any, and other stabilizing action in respect of the Shares. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of the Company's enlarged issued share capital following the completion of the Offering and the exercise of the Over-allotment Option (without taking into account any further Shares that may be issued pursuant to the exercise of the subscription rights attaching to the Warrants, pursuant to the Share Option Scheme or otherwise). In the event that the Over-allotment Option is exercised, a press announcement will be made.

Stabilizing Action

In connection with the Offering, Citigroup, on behalf of the International Underwriters, or any person acting for it, may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time. Citigroup has been or will be appointed as stabilizing manager for the purposes of the Offering in accordance the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilizing transactions be effected in connection with the Offering, this will be at the absolute discretion of Citigroup.

Following any over-allotment of Shares in connection with the Offering, Citigroup or any person acting for it may cover such over-allotment by (among other methods) making purchases in the secondary market, exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allotted will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 108,000,000 Shares representing 15% of the Shares initially available under the Offering.

In order to facilitate the settlement of over-allotments in connection with the Offering, Citigroup (or its affiliate(s)) may choose to borrow Shares from shareholders of the Company under stock borrowing arrangements, or acquire Shares from other sources, including pending exercise of the Over-allotment Option. Such stock borrowing arrangements may include arrangements agreed in principle between Citigroup and Anber Investments Limited, a wholly-owned subsidiary of Hopewell. For the purposes of these stock borrowing arrangements, a waiver has been granted by the Stock Exchange to Hopewell and Anber Investments Limited from strict compliance with Rule 10.07(l) of the Listing Rules which otherwise restricts the disposal of shares by controlling shareholders following a new listing. The waiver is granted subject to the conditions that:

(a) the maximum number of Shares to be borrowed from Anber will be limited to the maximum number of Shares which may be sold upon exercise of the Over-allotment Option;

(b) any Shares which may be made available to Citigroup (or its affiliate) pursuant to the stock borrowing arrangements will be made available on terms that the same number of Shares must be returned to Anber or its nominees (as the case may be) no later than three business days following the earlier of (i) the last date for exercising the Over-allotment Option, or (ii) the date on which the Over-allotment Option is exercised in full; and

(c) Anber will not receive any payment or benefit in respect of such stock borrowing arrangement and the stock borrowing arrangement entered into will be conducted in accordance with all applicable laws and regulatory requirements.

The possible stabilizing action which may be taken by Citigroup in connection with the Offering may involve (among other things) (i) over-allotment of Shares, (ii) purchases of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- Citigroup may, in connection with the stabilizing action, maintain a long position in the Shares;
- There is no certainty regarding the extent to which and the time period for which Citigroup will maintain such a position;
- Liquidation of any such long position by Citigroup may have an adverse impact on the market price of the Shares;
- No stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on 30th August, 2003, being the 30th day after the date expected to be the latest date for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- The price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilizing action; and
- Stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

I. HOW TO APPLY FOR PUBLIC OFFER SHARES

You may apply for Public Offer Shares by using one of the following methods:

- Using a **WHITE** or **YELLOW** application form; or
- electronically instructing HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

1. Which application method to use

(a) ***WHITE application forms***

Use a **WHITE** application form if you want the Public Offer Shares issued in your own name.

(b) ***YELLOW application forms***

Use a **YELLOW** application form if you want the Public Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS investor participant stock account or your designated CCASS Participant's stock account.

(c) ***Instruct HKSCC via CCASS electronically to make an application on your behalf***

Instead of using a **YELLOW** application form, you may **electronically** instruct HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Public Offer Shares are not available to the directors or chief executive of the Company or any of its subsidiaries or existing beneficial owners of Shares, or associates of any of them (as the term "associates" is defined in the Listing Rules).

2. Where to collect the WHITE and YELLOW application forms

You can collect a **WHITE** application form and a prospectus from:

Citigroup Global Markets Asia Limited
20th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

or

BOCI Asia Limited
35th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

or

BNP Paribas Peregrine Capital Limited
36th Floor, Asia Pacific Finance Tower
3 Garden Road
Central
Hong Kong

Daiwa Securities SMBC Hong Kong Limited
Level 26, One Pacific Place
88 Queensway
Hong Kong

or

J.P. Morgan Securities (Asia Pacific) Limited
25th Floor, Chater House
8 Connaught Road
Central
Hong Kong

Morgan Stanley Dean Witter Asia Limited
30th Floor, Three Exchange Square
Central
Hong Kong

or

CLSA Limited
18th Floor, One Pacific Place
88 Queensway
Hong Kong

ING Bank N.V.
39th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

or

UOB Asia (Hong Kong) Limited
Suite 601, 6th Floor, Aon China Building
29 Queen's Road Central
Hong Kong

ICEA Capital Limited
42nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

or

Kim Eng Securities (Hong Kong) Ltd
Room 1901, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

South China Securities Limited
28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

or

Sun Hung Kai International Limited
Level 12, One Pacific Place
88 Queensway
Hong Kong

VC CEF Capital Limited
38th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

or any of the following branches of Bank of China (Hong Kong) Limited:

Hong Kong Island	**Bank of China Tower Branch**	3/F, 1 Garden Road, Central
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Wan Chai Branch	395 Hennessy Road, Wan Chai
	North Point Branch	G/F., Roca Centre, 464 King's Road, North Point
	Taikoo Shing Branch	Shop G1012, Yiu Sing Mansion, Taikoo Shing
Kowloon	**Mong Kok (President Commercial Centre) Branch**	608 Nathan Road, Mong Kok
	Tsim Sha Tsui (Houston Centre) Branch	G/F., Houston Centre, 63 Mody Road, Tsim Sha Tsui
	Festival Walk Branch	Unit LG149, Festival Walk, Kowloon Tong
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
New Territories	**Castle Peak Road (Tsuen Wan) Branch**	167 Castle Peak Road, Tsuen Wan
	Lucky Plaza Branch	G/F., Lucky Plaza, Wang Pok Street, Shatin
	East Point City Branch	Shop 187A, East Point City, Tseung Kwan O
	Ma On Shan Centre Branch	Shop A2, G/F Ma On Shan Centre, Sai Sha Road, Ma On Shan
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

or any the following branches of The Bank of East Asia, Limited:

Hong Kong Island	**Kennedy Town Centre Branch**	Shop D, G/F, Kennedy Town Centre, 23 Belcher's Street
	Main Branch	10 Des Voeux Road Central
	Wanchai Branch	314-324 Hennessy Road
Kowloon	**Kwun Tong Branch**	7 Hong Ning Road
	Ma Tau Wei Road Branch	23-27 Ma Tau Wei Road
	Mongkok North Branch	G/F, Foon Shing Building, 732 Nathan Road, Mongkok
	Tsim Sha Tsui Branch	Shop A and B, Milton Mansion, No. 96 Nathan Road
New Territories	**Ha Kwai Chung Branch**	202 Hing Fong Road
	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza
	Tuen Mun Branch	Shop No. G16, G/F, Eldo Court Shopping Centre

You can collect a **YELLOW** application form and a prospectus from:

(1) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) the Customer Service Centre of HKSCC at Upper Ground Floor, V-Heun Building, 128-140 Queen's Road Central, Hong Kong; or

(3) your broker may have the application forms available.

3. How to complete the WHITE and YELLOW application forms

(a) There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in case of joint applicant(s)) at your own risk at the address stated in the application form.

(b) If your application is made through a duly authorised attorney, Citigroup, in consultation with the Company as agent of the Company may accept your application at its discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Citigroup in its capacity as agent for the Company has full discretion to reject or accept any application, in full or in part, without assigning any reason.

(c) In order for the **YELLOW** application forms to be valid:

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- the designated CCASS Participant or its authorised signatories must sign in the appropriate box; and
- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If the application is made by an individual CCASS Investor Participant:

- the application form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
- the CCASS Investor Participant must insert his participant I.D. and sign in the appropriate box in the application form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

- the application form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and
- the participant I.D. must be inserted and the authorised signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box in the application form.

(iv) If the application is made by a corporate CCASS Investor Participant:

- the application form must contain the CCASS Investor Participant's company name and the Hong Kong business registration number; and
- the participant I.D. and company chop (bearing its company name) endorsed by its authorised signatories must be inserted in the appropriate box in the application form.

(v) Signature(s), number of signatories and form of chop, where appropriate in each **YELLOW** application form, should match with the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory(ies) (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

(vi) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each application form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner.

4. How to apply by giving electronic instructions to HKSCC via CCASS

(a) ***General***

CCASS Participants may give electronic application instructions to HKSCC to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or the CCASS Internet System at *https://ip.ccass.com* (using the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you come to:

Customer Service Centre of HKSCC
at Upper Ground Floor, V-Heun Building
128-140 Queen's Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to the Company and its registrars.

(b) ***Effect of bad weather on the last subscription date***

The latest time for inputting your electronic application instructions is **12:00 noon** on **Thursday, 31 July, 2003, the last subscription date**. If a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on the last subscription date, the last subscription date will be postponed to the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

(c) ***Minimum subscription amount and permitted multiples***

You may give electronic application instructions in respect of a minimum of 500 Public Offer Shares. Such instructions in respect of more than 500 Public Offer Shares must be in one of the multiples set out in the table on the application forms.

(d) ***Multiple applications***

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application. Please refer to the sub-section headed "How many applications you may make" below in this section for further details.

(e) ***Allocation of Public Offer Shares***

For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.

(f) ***Personal data***

The section of the application form headed "Personal Data" applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

(g) ***Warning***

The subscription of Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Citigroup and the Company take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either (i) submit the **WHITE** or **YELLOW** application form; or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Thursday, 31 July, 2003.

5. How many applications you may make

(a) **You may make more than one application for the Public Offer Shares if and only:**

If you are a nominee, you may make an application as a nominee by: (i) giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** application form, and lodge more than one application in your own name on behalf of different beneficial owners. In the box on the application form marked "For nominees", you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

Otherwise, multiple applications are not allowed.

(b) Multiple applications or suspected multiple applications will be rejected. Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and joint applicants together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** application form or by giving **electronic** application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant); or
- apply on one **WHITE** or **YELLOW** application form or by giving **electronic** application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant) for more than 50% of the total number of the Public Offer Shares initially made available for subscription by the public in Hong Kong; or
- receive any Shares under the International Offer; or
- have indicated any interest for any Shares under the International Offer.

(c) **All** of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on electronic application instructions).

If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being for your benefit.

Unlisted company *means a company with no equity securities listed on the Stock Exchange.*

Statutory control *means you:*

- *control the composition of the board of directors of that company; or*
- *control more than half the voting power of that company; or*
- *hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

6. When to apply for Public Offer Shares

(a) ***WHITE or YELLOW application forms***

Completed **WHITE** or **YELLOW** application forms, with payment attached, must be lodged by **12:00 noon** on Thursday, 31 July, 2003, or, if the application lists are not open on that day, by the time and date stated in paragraph (d) below.

Your completed application form, with one cheque or one banker's cashier order attached, should be deposited in the special collection boxes provided at any branches of Bank of China (Hong Kong) Limited and The Bank of East Asia, Limited listed above at the following times:

Monday, 28 July, 2003 — 9:00 a.m. to 4:00 p.m.
Tuesday, 29 July, 2003 — 9:00 a.m. to 4:00 p.m.
Wednesday, 30 July, 2003 — 9:00 a.m. to 4:00 p.m.
Thursday, 31 July, 2003 — 9:00 a.m. to 12:00 noon

(b) ***Electronic application instructions to HKSCC via CCASS***

CCASS Participants should input electronic application instructions at the following times:

Monday, 28 July, 2003 — 9:00 a.m. to 7:00 p.m.
Tuesday, 29 July, 2003 — 9:00 a.m. to 7:00 p.m.
Wednesday, 30 July, 2003 — 9:00 a.m. to 7:00 p.m.
Thursday, 31 July, 2003 — 9:00 a.m. to 12:00 noon

The latest time for inputting your electronic application instructions via CCASS (if you are a CCASS Participant) is 12:00 noon on Thursday, 31 July, 2003, or if the application lists are not open on that day, by the time and date stated in paragraph (d) below.

(c) ***Application lists***

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 31 July, 2003.

The application for the Public Offer Shares will not be processed and no allotment of any such Public Offer Shares will be made until the closing of the application lists. No allocation of any of the Public Offer Shares will be made later than Wednesday, 27 August, 2003.

(d) ***Effect of bad weather on the opening of the application lists***

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal

in force at any time between 9:00 a.m. and 12:00 noon on Thursday, 31 July, 2003. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

II. GENERAL

1. How much to pay for the Offer Shares

You must pay the maximum Offer Price of HK$4.75, together with brokerage of 1%, the Stock Exchange trading fee of 0.005%, the SFC transaction levy of 0.005% and an investor compensation levy of 0.002% in full when you apply for the Shares. This means that for a board lot of 500 Shares, you will pay HK$2,399.04. The application forms have tables showing the exact amount payable for multiples of Shares applied for up to 200,000 Shares.

If your application is successful, brokerage is paid to participants of the Stock Exchange, the Stock Exchange trading fee is paid to the Stock Exchange, the SFC transaction levy and investor compensation levy is paid to the SFC.

If the Offer Price as finally determined is less than the maximum Offer Price, appropriate refund payments (including brokerage, the Stock Exchange trading fee, the SFC transaction levy and investor compensation levy attributable to the surplus application monies) will be made to successful applicants without interest.

2. Commencement of dealings in the Shares and the Warrants on the Stock Exchange

Dealings in the Shares and the Warrants on the Stock Exchange are expected to commence on 6 August, 2003. Shares will be traded on the Stock Exchange in board lots of 500 each and the Warrants will be traded in board lots of 500 Warrants each. The stock codes of the Shares and the Warrants, respectively will be 737 and 951.

3. Shares and Warrants will be eligible for admission into CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued and the Warrants to be issued, as mentioned in this prospectus, and the Company complies with the stock admission requirements of HKSCC, the Shares and the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares and the Warrants on the Stock Exchange or any other date as determined by HKSCC. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares and the Warrants to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

4. Publication of results

For details please refer to the sub-section "Further Terms and Conditions of the Public Offer — Publication of Results".

1. GENERAL

(a) If you apply for the Public Offer Shares in the Public Offer, you will be agreeing with the Company and Citigroup (on behalf of the Public Offer Underwriters) as set out below.

(b) If you electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees are applying for the Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

(d) Applicants should read carefully this prospectus, including other terms and conditions of the Public Offer, and the terms and conditions set out in the relevant application form or imposed by HKSCC (as the case may be) prior to making an application.

2. OFFER TO PURCHASE THE PUBLIC OFFER SHARES

(a) You offer to purchase from the Company at the Offer Price the number of the Public Offer Shares indicated in your application form or inputted via CCASS electronically as the case may be (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant application form.

(b) For applicants using application forms, a refund cheque in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the Stock Exchange trading fee, the SFC transaction levy and investor compensation levy attributable thereto), is expected to be sent to you at your own risk to the address stated on your application form on or before Tuesday, 5 August, 2003.

Details of the procedure for refunds relating to each of the Public Offer methods are contained below in the paragraphs headed "If your application for the Public Offer Shares is successful (in whole or in part)" and "Refund of your money" in this section.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Public Offer should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance)) can applications be withdrawn once submitted. For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

3. ACCEPTANCE OF YOUR OFFER

(a) The Public Offer Shares will be allocated after the application lists close. The Company expects to announce the final number of Public Offer Shares, the level of applications under the Public Offer, the basis of allocations of the Public Offer Shares and the Hong Kong identity card/passport/business registration numbers of successful applicants under the Public Offer in South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese) and the Hong Kong Economic Times (in Chinese) on 5 August, 2003.

(b) The Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(c) If the Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Offering are satisfied or the Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Offering".

(d) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

(a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **Instruct** and **authorise** the Company and Citigroup (or their respective agents or nominees) as agents of the Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Public Offer Shares allotted to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association of the Company and otherwise to give effect to the arrangements described in this prospectus and the relevant application form;
- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles of Association of the Company;
- **represent, warrant** and **undertake** that you are not within the United States (within the meaning of Regulation S under the US Securities Act);
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, Citigroup, the Underwriters and other parties involved in the Offering nor any of their respective directors, officers, employees, partners, agents or advisers will have any liability for any such other information or representations;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form or by giving electronic application instructions to HKSCC via CCASS;

- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving electronic application instructions to HKSCC via CCASS, and that you are duly authorised to sign the application form or to give electronic application instruction as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the International Offer Shares in the International Offer, nor otherwise participated in the International Offer;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to the Company, Citigroup, the Underwriters and their respective agents any information about you which they require or the person(s) for whose benefit you have made the application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorise** the Company to place your name(s) or HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the application form by ordinary post at your own risk to the address stated on your application form (except that if you have applied for 1,000,000 Public Offer Shares or more and have indicated in your application form that you will collect your share certificates and refund cheques (if any) in person, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 am and 1:00 pm on Tuesday, 5 August, 2003 from Computershare Hong Kong Investor Services Limited);
- **understand** that these declarations and representations will be relied upon by the Company and Citigroup in deciding whether or not to allocate any Public Offer Shares in response to your application;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, Citigroup, the Underwriters and the other parties involved in the Offering nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

(b) If you apply for the Public Offer Shares using a **YELLOW** application form, in addition to the confirmations and agreements referred to in (a) above you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:

- **agree** that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the application form;
- **agree** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (i) not to accept any or part of the Public Offer Shares allocated to you in the name of HKSCC Nominees or not to accept such Public Offer Shares for deposit into CCASS; (ii) to cause such Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; (iii) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, in the name of the first-named applicant) and in such a case, to post the certificates for such allotted Public Offer Shares at your own risk to the address on the application form by ordinary post or to make available the same for your collection;
- **agree** that each of HKSCC and HKSCC Nominees may adjust the number of Public Offer Shares allocated to you and issued in the name of HKSCC Nominees;
- **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the application form;
- **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things or the breach of the terms and conditions of the **WHITE** application form or this prospectus:

- **instruct** and **authorise** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;
- **instruct** and **authorise** HKSCC to arrange payment of the maximum Offer Price, brokerage, the Stock Exchange trading fee, the SFC transaction levy and investor compensation levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$4.75, refund the appropriate portion of the application money by crediting your designated bank account;
- (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorise** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to be done on your behalf in the **WHITE** application form and the following:
  - **agree** that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on your behalf;
  - **undertake** and **agree** to accept the Public Offer Shares in respect of which you have given electronic application instructions or any lesser number;

- (if the electronic application instructions are given for your own benefit) **declare** that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) **declare** that you have given only one set of electronic application instructions for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;
- **understand** that the above declaration will be relied upon by the Company and Citigroup in deciding whether or not to make any allocation of the Public Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;
- **authorise** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allocated in respect of your electronic application instructions and to send share certificates and/or refund money in accordance with arrangements separately agreed between the Company and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions on your behalf;
- **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- **agree** to disclose your personal data to Citigroup, the Company, the Underwriters, the share registrars, receiving bankers, agents and advisers and any information about you which they require;
- **agree** that you cannot revoke electronic application instructions before Wednesday, 27 August, 2003, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Wednesday, 27 August, 2003, except by means of one of the procedures referred to in this prospectus. However, you may revoke the instructions on or before Wednesday, 27 August, 2003 if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked and that acceptance of that application will be evidenced by the results of the Public Offer made available by the Company; and
- **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Public Offer Shares.

(d) The Company, Citigroup, the Underwriters, other parties involved in the Offering and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.

(e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Public Offer Shares are set out in the notes attached to the application forms, and you should read them carefully. You should note in particular the following eight situations in which Public Offer Shares will not be allotted to you.

(a) **Full discretion to reject or accept**

The Company and Citigroup in its capacity as agent for the Company, or their respective agents, have full discretion to reject or accept any application, in whole or in part, without assigning any reason therefor.

(b) **If your application is revoked or withdrawn:**

By completing an application form or submitting electronic application instructions to HKSCC you agree that you cannot revoke your application on or before Wednesday, 27 August, 2003. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your application form or submit your electronic application instructions to HKSCC. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Wednesday, 27 August, 2003 except by this prospectus.

You may only revoke your application earlier than the end of Wednesday, 27 August, 2003 if a person responsible for this prospectus under section 40 (as applied by section 342E) of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

If your application has been accepted, it cannot be revoked or withdrawn. Acceptance of application will be constituted by notification to the press of the basis of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

(c) **If the allotment of Public Offer Shares is void:**

Your allotment of Public Offer Shares and the allotment to HKSCC Nominees, if made, will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the lists.

(d) **Multiple Applications and allotment of International Offer Shares:**

Your application will be rejected if:

- you make multiple applications or suspected multiple applications; or
- you or the person for whose benefit you are applying have been allotted International Offer Shares.

By filling in the **WHITE** or **YELLOW** application form, you agree not to apply for Shares under the International Offer. The Directors and the Underwriters will take reasonable steps to identify and reject applications under the Public Offer from investors who have received Shares in the International Offer and to identify and reject indications of interest in the International Offer from investors who have received Shares in the Public Offer.

(e) **Incorrect payment**

You will not receive any allotment of Public Offer Shares if your payment is not made correctly.

(f) **If your application or HKSCC Nominee's application is not accepted:**

Your application or HKSCC Nominee's application will not be accepted if:

- the Public Offer Underwriting Agreement and the International Underwriting Agreement do not become unconditional; or
- either the Public Offer Underwriting Agreement or the International Underwriting Agreement is terminated in accordance with its terms.

(g) **Application form not filled in correctly**

Your application will be rejected if your application form is not filled in correctly in accordance with the instructions.

(h) **Dishonoured cheque or banker's cashier order**

Your application will be rejected if you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation.

You should also note that if you are giving electronic application instructions to HKSCC via CCASS to apply for Public Offer Shares on your behalf, you will also not be allotted any Public Offer Shares if HKSCC Nominee's application is not accepted.

6. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the general level of indication of interest in the International Offer, the results of applications and basis of allotment of the Public Offer Share and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer on Tuesday, 5 August, 2003 in the South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese) and the Hong Kong Economic Times (in Chinese).

7. IF YOUR APPLICATION FOR THE PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

The Company will not issue temporary documents of title. No receipt will be issued for application money paid.

Share certificates will only become valid certificates of title provided that the Public Offer has become unconditional and not having been terminated in accordance with its terms.

(a) **If you are applying using a WHITE application form and you elect to receive any share certificate(s) in your name:**

If you have applied for 1,000,000 Public Offer Shares or above on a **WHITE** application form and have indicated on your application form that you will collect your share certificate(s) and/or refund cheque (if any) in person and have provided all information required by your application form, you may collect it/them in person from:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

between 9:00 am and 1:00 pm on the date notified by the Company in the newspapers as the date of despatch of share certificate(s) and refund cheque(s). The date of despatch is expected to be on Tuesday, 5 August, 2003.

Applicants being individuals who have applied for 1,000,000 Public Offer Shares or above and have opted for personal collection must not authorise any other person to make their collection on their behalf. Applicants must show their identification documents (which must be acceptable to Computershare Hong Kong Investor Services Limited) to collect share certificates and/or refund cheques. Applicants being corporations which have opted for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chops. Their authorised representatives must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your share certificate(s) and/or refund cheque (if any), they will be sent to the address on your **WHITE** application form in the afternoon on the date of despatch, by ordinary post and at your own risk.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your share certificates and refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, then your share certificates and refund cheque (if any) will be sent to the address on your **WHITE** application form on the date of despatch, by ordinary post and at your own risk.

(b) **If (i) you are applying on a YELLOW application form or (ii) you are giving electronic application instructions to HKSCC via CCASS, and in each case you elect to have allocated Public Offer Shares deposited directly into CCASS:**

Your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on your **YELLOW** application form or via CCASS electronically, as the case may be), at the close of business on Tuesday, 5 August, 2003, or in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying on a YELLOW application form:

(i) If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

(ii) If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Offering in the newspapers on Tuesday, 5 August, 2003. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 5 August, 2003 or such other date as shall be determined by HKSCC or HKSCC Nominees. On Wednesday, 6 August, 2003, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also mail to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your application form that you will collect your refund cheque (if any) in person, the procedures set out under (a) above will apply in relation to the refund cheque.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque (if any) will be sent to the address on your application form on the date of despatch, which is expected to be on Tuesday, 5 August, 2003, by ordinary post and at your own risk.

If you have given electronic application instructions to HKSCC via CCASS:

- The Company will publish **the application results of CCASS Participants** (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner (where supplied)), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer, in the newspapers on Tuesday, 5 August, 2003. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 5 August, 2003 or any other date HKSCC or HKSCC Nominees chooses.

If you are instructing your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.

If you are applying as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund (if any) payable to you, and your new account balance, via the CCASS Phone System and CCASS Internet System respectively on Tuesday, 5 August, 2003 and Wednesday, 6 August, 2003 (the next day following the credit of the Public Offer Shares to your stock account and the credit of refund money (if any) to your designated bank account). HKSCC will mail to you activity statement(s) showing the number of Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

8. REFUND OF YOUR MONEY

If you do not receive any Public Offer Shares for any of the above reasons in the sub-section headed "Circumstances in which you will not be allotted Public Offer Shares", the Company will refund your application monies (including the related brokerage, Stock Exchange trading fee, SFC transaction levy and investor compensation levy attributable thereto). No interest will be paid thereon (all interest will be retained for the benefit of the Company). If your application is accepted only in part, the Company will refund the appropriate portion of your application monies (including the related brokerage, the Stock Exchange trading fee, the SFC transaction levy and investor compensation levy attributable thereto) without interest.

If the Offer Price (as finally determined) is less than the maximum Offer Price of HK$4.75 per Share paid on application, the surplus subscription monies (including the related brokerage, the Stock Exchange trading fee, the SFC transaction levy and investor compensation levy attributable thereto) will be refunded to you without interest.

If you are a CCASS Participant subscribing for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS, all refunds will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 5 August, 2003.

The following is the text of a report prepared for the purpose of incorporation in this prospectus received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong:

德勤•關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

執業會計師
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu

28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Hopewell Highway Infrastructure Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 30 June, 2002 and the ten months ended 30 April, 2003 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 28 July, 2003 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 14 January, 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation, further details of which are set out in the section headed "Corporate Reorganisation" in Appendix IX to the Prospectus (the "Corporate Reorganisation"), the Company became the holding company of the following subsidiaries on 30 June, 2003.

As at the date of this report, the Company has the following subsidiaries and jointly controlled entities:

Subsidiaries

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest held	Principal activity
Jetgold Limited ("Jetgold")	British Virgin Islands 5 March, 2003	Ordinary shares US$1	100%	Investment holding
Kingnice Limited ("Kingnice")	British Virgin Islands 12 March, 2003	Ordinary shares US$20,000	97.5%	Investment holding
Fan Wai Properties Limited ("Fan Wai")	British Virgin Islands 21 June, 1993	Ordinary shares US$1	97.5%	Investment funding
Most Top Limited ("Most Top")	British Virgin Islands 4 January, 1994	Ordinary shares US$1	100%	Investment funding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest held	Principal activity
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")	The People's Republic of China (the "PRC") 5 May, 1993	Registered capital RMB600,000,000	100%	Investment in expressway project
Hopewell China Development (Superhighway) Limited ("HHI GS Superhighway Co")	Hong Kong 30 October, 1981	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 ("HHI Ring Road Co")	British Virgin Islands 6 October, 1992	Ordinary share US$1	100%	Investment in expressway project
Hopewell Guangzhou-Zhuhai Superhighway Development Limited ("HHI West HK Co")	Hong Kong 3 September, 1992	Ordinary shares HK$2 Non-voting deferred shares HK$2	100% of issued ordinary share capital	Investment in expressway project
Wilberforce International Limited ("Wilberforce")	British Virgin Islands 16 May, 1994	Ordinary shares US$20,000	100%	Investment holding
Yager International Limited ("Yager")	British Virgin Islands 21 September, 1994	Ordinary shares US$20,000	100%	Investment holding

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

Jointly controlled entities

Name of company	Place and date of establishment	Registered capital	Principal activity
廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV")	The PRC 27 April, 1988	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 26 December, 1992	US$55,000,000	Development, operation and management of an expressway

GS Superhighway JV and Ring Road JV are both Sino-foreign co-operative joint venture enterprises established under the PRC law. Pursuant to the joint venture agreements entered into between the relevant subsidiaries and the corresponding joint venture partners, no party has the ability to exert unilateral control. These joint venture agreements generally provide for repayment of the original registered capital contributed by each joint venture partner. GS Superhighway JV provides for return on the original registered capital at rates determined in the joint venture agreement. The principal terms of the joint venture agreements of these jointly controlled entities are set out in note 14 of section A of this report.

No audited financial statements have been prepared for the Company, Jetgold and Kingnice since their respective dates of incorporation as they have not carried on any business, other than the transactions related to the Corporate Reorganisation. For the purpose of this report, we have, however, reviewed all the relevant transactions of these companies since their respective dates of incorporation to the date of this report.

No audited financial statements have been prepared for Fan Wai, Most Top, Wilberforce and Yager since their respective dates of incorporation as there is no statutory requirement for these entities to prepare audited financial statements. For the purpose of this report, we have carried out independent audit procedures in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants (the "Auditing Standards") on the management accounts of these companies for the Relevant Periods.

The statutory financial statements of HHI West Co, GS Superhighway JV and Ring Road JV were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of entities	Financial period	Auditors
HHI West Co	Each of the four years ended 31 December, 2002	廣東正中珠江會計師事務所 GP Certified Public Accountants
GS Superhighway JV	Each of the four years ended 31 December, 2002	廣東正中珠江會計師事務所 GP Certified Public Accountants
Ring Road JV	Each of the four years ended 31 December, 2002	廣州羊城會計師事務所有限公司 Guangzhou Yangcheng Certified Public Accountants Co. Ltd.

For the purpose of this report, we have carried out independent audit procedures in accordance with the Auditing Standards on the management accounts of HHI West Co and the jointly controlled entities for the Relevant Periods, prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

We have acted as auditors of HHI GS Superhighway Co, HHI Ring Road Co and HHI West HK Co for the three years ended 30 June, 2002. For the purpose of this report, we have performed independent audit procedures in accordance with the Auditing Standards in respect of the management accounts of these companies for the ten months ended 30 April, 2003.

We have examined the audited financial statements or, where appropriate, the management accounts (collectively referred to as the "Underlying Financial Statements") of the companies comprising the Group and the jointly controlled entities for the Relevant Periods, or since their respective dates of incorporation/registration to 30 April, 2003, where this is a shorter period. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Society of Accountants.

The financial information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements of the companies now comprising the Group on the basis set out in note 1 of Section A below, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of those companies who approved for their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 30 June, 2000, 2001 and 2002 and 30 April, 2003 and of the combined results and cash flows of the Group for each of the three years ended 30 June, 2002 and the ten months ended 30 April, 2003.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	Notes	Year ended 30 June, 2000	2001	2002	Ten months ended 30 April, 2003
		HK$'000	HK$'000	HK$'000	HK$'000
Turnover	3	769,607	859,793	918,450	861,183
Other operating income	4	267,441	323,822	151,639	53,529
Toll operation expenses		(76,112)	(85,128)	(77,549)	(77,004)
Depreciation and amortisation expenses		(107,018)	(118,672)	(160,905)	(158,107)
General and administrative expenses		(37,737)	(47,321)	(50,222)	(51,928)
Profit from operations	5	816,181	932,494	781,413	627,673
Finance costs	6	(267,683)	(303,643)	(220,635)	(167,685)
Profit before tax		548,498	628,851	560,778	459,988
Income tax expense	7	(24,700)	(25,798)	(19,298)	(16,420)
Profit after tax		523,798	603,053	541,480	443,568
Minority interests		(4,849)	(2,431)	(9,051)	(9,869)
Profit for the year/period		518,949	600,622	532,429	433,699
Dividends	8	—	—	2,200,000	—
		HK$	HK$	HK$	HK$
Earnings per share - basic	9	0.24	0.28	0.25	0.20

COMBINED BALANCE SHEETS

	Notes	At 30 June, 2000	2001	2002	At 30 April, 2003
		HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current Assets					
Property and equipment	12	9,257,820	9,271,483	9,098,700	8,991,256
Additional investment cost in jointly controlled entities	13	1,981,434	1,961,378	1,934,308	1,907,910
Toll road project under development	15	430,270	430,754	430,513	149,959
Loans to jointly controlled entities	16	4,890,601	4,281,754	1,209,208	1,011,394
		16,560,125	15,945,369	12,672,729	12,060,519
Current Assets					
Inventories		4,421	4,573	5,064	2,210
Loan to a jointly controlled entity	16	545,975	—	—	—
Accounts receivable, deposits and prepayments		28,929	27,260	129,512	81,748
Interest receivable from a joint venture partner	17	—	13,044	27,521	42,972
Bank balances and cash	18	259,232	512,749	97,819	291,063
		838,557	557,626	259,916	417,993
Total Assets		17,398,682	16,502,995	12,932,645	12,478,512
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	20	312	312	312	312
Reserves	21	1,888,301	2,489,536	820,788	1,246,600
		1,888,613	2,489,848	821,100	1,246,912
Minority Interests		7,250	9,681	18,732	28,601
Non-current Liabilities					
Bank and other loans - due after one year	22	3,195,661	2,637,339	5,171,533	4,834,694
Other interests payable - due after one year	23	22,235	38,991	18,163	—
Loans from joint venture partners	24	924,482	921,216	746,007	719,453
Amounts due to holding companies	25	9,198,965	9,375,760	5,711,311	5,002,133
Deferred tax liabilities	26	47,500	73,000	91,900	108,070
		13,388,843	13,046,306	11,738,914	10,664,350
Current Liabilities					
Accounts payable and deposits received		132,963	60,127	49,389	65,646
Bank and other loans - due within one year	22	1,881,133	787,263	253,857	376,197
Interest payable to a jointly controlled entity	27	—	15,933	34,478	52,128
Other interests payable - due within one year	23	99,830	93,787	16,125	44,628
Tax liabilities		50	50	50	50
		2,113,976	957,160	353,899	538,649
Total Equity and Liabilities		17,398,682	16,502,995	12,932,645	12,478,512

COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital	PRC statutory reserves	Translation reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 July, 1999	312	—	22,735	1,346,208	1,369,255
Exchange differences on operations outside Hong Kong	—	—	409	—	409
Profit for the year	—	—	—	518,949	518,949
Balance at 30 June, 2000	312	—	23,144	1,865,157	1,888,613
Exchange differences on operations outside Hong Kong	—	—	613	—	613
Profit for the year	—	—	—	600,622	600,622
Balance at 30 June, 2001	312	—	23,757	2,465,779	2,489,848
Exchange differences on operations outside Hong Kong	—	—	(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 30 June, 2002	312	22,884	22,580	775,324	821,100
Exchange differences on operations outside Hong Kong	—	—	(7,887)	—	(7,887)
Profit for the period	—	—	—	433,699	433,699
Appropriation of retained profits	—	33,580	—	(33,580)	—
Balance at 30 April, 2003	312	56,464	14,693	1,175,443	1,246,912

COMBINED CASH FLOW STATEMENT

	Year ended 30 June, 2000	2001	2002	Ten months ended 30 April, 2003
	HK$'000	HK$'000	HK$'000	HK$'000
OPERATING ACTIVITIES				
Profit before tax	548,498	628,851	560,778	459,988
Adjustments for:				
Interest expenses	256,844	294,605	216,590	165,859
Interest income	(223,775)	(283,143)	(120,792)	(41,852)
Exchange (gains) losses, net	(23,420)	(10,875)	(1,538)	990
Depreciation and amortisation expenses	107,018	118,672	160,905	158,107
Operating cash flows before movements in working capital	665,165	748,110	815,943	743,092
Decrease (increase) in inventories	363	(152)	(491)	2,854
(Increase) decrease in accounts receivable, deposits and prepayments	(11,449)	1,669	(102,252)	81,770
(Decrease) increase in accounts payable and deposits received	(64,048)	(72,836)	(10,738)	16,257
Cash generated from operations	590,031	676,791	702,462	843,973
Interest received	6,907	14,395	5,467	4,212
Income taxes paid	—	(298)	(398)	(250)
NET CASH FROM OPERATING ACTIVITIES	596,938	690,888	707,531	847,935
INVESTING ACTIVITIES				
Additional investment cost in jointly controlled entities	(58,240)	(2,302)	(1,179)	—
Repayment of toll road project under development	—	—	—	270,966
Proceeds on disposal of property and equipment	—	—	16,229	176
Purchases of property and equipment	(493,801)	(95,963)	(8,849)	(60,333)
Addition of loans to jointly controlled entities	(279,410)	(20,193)	—	—
Repayment of loans to jointly controlled entities	485,912	1,436,665	3,171,253	220,876
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(345,539)	1,318,207	3,177,454	431,685
FINANCING ACTIVITIES				
Interest paid	(148,431)	(205,292)	(293,876)	(137,065)
New bank and other loans	767,215	1,283,166	3,296,710	—
Repayment of bank and other loans	(1,301,618)	(2,998,593)	(1,295,922)	(214,499)
Addition of loans from joint venture partners	132,988	—	—	—
Repayment of loans from joint venture partners	(41,862)	(4,642)	(143,077)	(26,799)
Advance from (repayment to) holding companies	548,685	171,637	(5,868,473)	(709,178)
NET CASH USED IN FINANCING ACTIVITIES	(43,023)	(1,753,724)	(4,304,638)	(1,087,541)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	208,376	255,371	(419,653)	192,079
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	75,976	259,232	512,749	97,819
Effect of foreign exchange rate changes	(25,120)	(1,854)	4,723	1,165
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD				
Bank balances and cash	259,232	512,749	97,819	291,063

NOTES TO THE FINANCIAL INFORMATION

1. Basis of presentation of financial information

The combined income statements, combined statements of changes in equity and combined cash flow statements of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, where this is a shorter period. The combined balance sheets of the Group as at 30 June, 2000, 2001 and 2002 and 30 April, 2003 have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates, as if the current group structure had been in existence as at those dates.

All significant intra-group transactions, cash flows and balances have been eliminated on combination.

2. Significant accounting policies

The Financial Information is presented in Hong Kong dollars and the directors consider this presentation is more useful for its current and potential investors. The Financial Information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies adopted are as follows:

Basis of combination

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

Subsidiaries

Subsidiaries are those entities in which the Company has controls over their 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 combined with the equivalent items in the consolidated financial information 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 depreciation and accumulated impairment 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 costs of toll roads include 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.

Depreciation of the 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 the 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 income.

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 lease.

Leasing

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

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 combination, 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/period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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.

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 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 state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the obligations under the schemes of 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/period. 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 related 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.

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.

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 PRC through its jointly controlled entities established in the PRC.

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

4. Other operating income

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Interest income from:				
A jointly controlled entity	216,868	254,259	98,814	22,744
A joint venture partner	—	14,489	16,511	14,896
Bank deposits	6,907	14,395	5,467	4,212
Rental income	11,573	12,859	2,225	4,194
Exchange gains, net	23,420	10,875	1,538	—
Reimbursement of operating expenses from jointly controlled entities	—	2,917	3,006	2,504
Other income	8,673	14,028	24,078	4,979
	267,441	323,822	151,639	53,529

5. Profit from operations

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Profit from operations has been arrived at after charging:				
Auditors' remuneration	449	451	725	798
Directors' emoluments (note 11)	2,051	2,361	3,382	2,012
Exchange losses, net	—	—	—	990
Other staff costs (excluding directors)	34,779	37,916	41,260	36,771
Amortisation of goodwill	19,943	22,358	28,249	26,398
Depreciation of:				
Toll roads	83,571	92,101	128,063	128,238
Other property and equipment	3,504	4,213	4,593	3,471

6. Finance costs

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Interest on:				
Bank loans	239,702	255,205	176,177	143,406
Loan from a jointly controlled entity	—	14,489	16,511	18,206
Loans from a joint venture partner	2,407	1,376	669	248
Loans from the holding company	3,514	5,158	4,024	—
Other loans	30,822	24,035	19,209	3,999
	276,445	300,263	216,590	165,859
Other financial expenses	10,839	9,038	4,045	1,826
Total borrowing costs	287,284	309,301	220,635	167,685
Less: amounts included in the cost of qualifying assets	(19,601)	(5,658)	—	—
	267,683	303,643	220,635	167,685

Borrowing costs included in the cost of qualifying assets during the Relevant Periods arose on the general borrowing pool and are calculated by applying capitalisation rates of 7.82% and 5.27% to expenditure on such assets for the years ended 30 June, 2000 and 2001 respectively.

7. Income tax expense

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
PRC income tax	—	298	398	250
Deferred taxation (note 26)	24,700	25,500	18,900	16,170
	24,700	25,798	19,298	16,420

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 from and tax relief for 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 GS Superhighway JV 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 roads 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 31 December, 2000.

Pursuant to an approval from the Guangzhou branch of the State Tax Bureau, the rate of foreign enterprise income tax payable by Ring Road JV in respect of its income arising from the operation of toll roads 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 roads 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 exempt 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 Relevant Periods can be reconciled to the profit before tax per the income statement as follows:

	Year ended 30 June,			Ten months ended 30 April,
	2000	**2001**	**2002**	**2003**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Profit before tax	548,498	628,851	560,778	459,988
Tax calculated at normal income tax rate of 33%	181,004	207,521	185,057	151,796
Tax attributable to:				
Non-taxable income	(166,606)	(207,676)	(182,674)	(149,526)
Non-deductible expense	39,942	56,553	39,595	33,554
Differential tax rate on temporary difference of jointly controlled entities	(29,640)	(30,600)	(22,680)	(19,404)
Tax expense	24,700	25,798	19,298	16,420

8. Dividend

No dividend has been paid or declared by the Company since its incorporation. However, in respect of the year ended 30 June, 2002, HHI GS Superhighway Co had declared dividends of an aggregate amount of HK$2,200,000,000 to its then shareholders prior to the Corporate Reorganisation and the dividends were settled through current accounts with the shareholders.

9. Earnings per share - basic

The calculation of the basic earnings per share for the Relevant Periods is based on the profit for the Relevant Periods and on 2,160,000,000 shares in issue as at the date of the Prospectus.

10. Retirement benefits plans

The aggregate numbers of employees of the Group and the jointly controlled entities were 1,878, 1,984, 2,083 and 2,271 at 30 June, 2000, 2001 and 2002 and 30 April, 2003, respectively.

To comply with the Hong Kong statutory requirements under the Mandatory Provident Fund ("MPF") Scheme Ordinance, the Group has set up the MPF Schemes and started contributions with effect from 1 December, 2000. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK$20,000. At the respective reporting dates, there were no forfeited contributions available to reduce future obligations. The contributions made by the Group to the MPF Schemes for the years ended 30 June, 2001 and 2002 and the ten months ended 30 April, 2003 are HK$95,000, HK$208,000 and HK$204,000 respectively. No contribution was paid by the Group during the year ended 30 June, 2000.

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 are approximately HK$2,242,000, HK$3,018,000, HK$3,447,000 and HK$3,358,000 for the years ended 30 June, 2000, 2001 and 2002 and the ten months ended 30 April, 2003, respectively.

11. Directors' remuneration and five highest paid employees

Directors

Details of emoluments paid by the Group during the Relevant Periods to the persons who are directors of the Company are as follows:

	Year ended 30 June,			Ten months ended 30 April,
	2000	**2001**	**2002**	**2003**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Fees	—	—	—	—
Salaries and other benefits	2,051	2,217	2,358	1,992
Performance related bonus	—	130	1,000	—
Contributions to retirement benefits plans	—	14	24	20
Total emoluments	2,051	2,361	3,382	2,012

The emoluments of these persons were within the following bands:

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
	Number of directors	Number of directors	Number of directors	Number of directors
Nil to HK$1,000,000	2	2	2	2
HK$1,000,001 to HK$1,500,000	1	1	—	1
HK$1,500,001 to HK$2,000,000	—	—	—	—
HK$2,000,001 to HK$2,500,000	—	—	1	—

Five highest paid employees' emoluments

The five highest paid individuals for the years ended 30 June, 2000, 2001 and 2002 and the ten months ended 30 April, 2003 include 2 persons who are directors of the Company 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:

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Salaries and other benefits	1,669	1,962	2,090	1,302
Contributions to retirement benefits plans	—	12	36	30
Total emoluments	1,669	1,974	2,126	1,332

During the Relevant Periods, 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. None of the persons who are directors of the Company waived any emoluments during the Relevant Periods.

12. Property and equipment

	Toll roads	Motor vehicles	Furnitures, fixtures and equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 July, 1999	7,686,138	13,487	3,982	1,400,796	9,104,403
Additions	90,311	2,953	2,036	418,102	513,402
Exchange differences	25,153	60	18	6,376	31,607
Transfer	847,138	—	—	(847,138)	—
Disposals	—	—	(31)	—	(31)
At 30 June, 2000	8,648,740	16,500	6,005	978,136	9,649,381
Additions	9,007	1,345	3,420	87,849	101,621
Exchange differences	7,575	19	6	1,106	8,706
Transfer	1,066,172	—	—	(1,066,172)	—
At 30 June, 2001	9,731,494	17,864	9,431	919	9,759,708
Additions	5,560	2,269	297	723	8,849
Exchange differences	(669)	(4)	(2)	—	(675)
Transfer	1,272	—	143	(1,415)	—
Disposals	(48,436)	—	(45)	—	(48,481)
At 30 June, 2002	9,689,221	20,129	9,824	227	9,719,401
Additions	56,743	731	2,834	25	60,333
Exchange differences	(2,034)	(2)	(2)	—	(2,038)
Transfer	252	445	(445)	(252)	—
Disposals	(34,006)	(764)	—	—	(34,770)
At 30 April, 2003	9,710,176	20,539	12,211	—	9,742,926
ACCUMULATED DEPRECIATION					
At 1 July, 1999	297,334	4,867	1,267	—	303,468
Charge for the year	83,571	2,615	889	—	87,075
Exchange differences	1,006	22	5	—	1,033
Eliminated on disposals	—	—	(15)	—	(15)
At 30 June, 2000	381,911	7,504	2,146	—	391,561
Charge for the year	92,101	2,938	1,275	—	96,314
Exchange differences	339	8	3	—	350
At 30 June, 2001	474,351	10,450	3,424	—	488,225
Charge for the year	128,063	3,369	1,224	—	132,656
Exchange differences	(7)	(2)	—	—	(9)
Eliminated on disposals	(140)	—	(31)	—	(171)
At 30 June, 2002	602,267	13,817	4,617	—	620,701
Charge for the period	128,238	2,569	902	—	131,709
Exchange differences	(148)	(3)	(1)	—	(152)
Eliminated on disposals	—	(588)	—	—	(588)
At 30 April, 2003	730,357	15,795	5,518	—	751,670
CARRYING AMOUNT					
At 30 June, 2000	8,266,829	8,996	3,859	978,136	9,257,820
At 30 June, 2001	9,257,143	7,414	6,007	919	9,271,483
At 30 June, 2002	9,086,954	6,312	5,207	227	9,098,700
At 30 April, 2003	8,979,819	4,744	6,693	—	8,991,256

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 values of the toll roads included above which have been pledged are approximately HK$8,266,829,000, HK$9,257,143,000, HK$9,086,954,000 and HK$8,979,819,000 at 30 June, 2000, 2001 and 2002 and 30 April, 2003 respectively.

13. Additional investment cost in jointly controlled entities

	HK$'000
COST	
At 1 July, 1999	2,013,739
Additions	58,240
At 30 June, 2000	2,071,979
Additions	2,302
At 30 June, 2001	2,074,281
Additions	1,179
At 30 June, 2002 and 30 April, 2003	2,075,460
AMORTISATION	
At 1 July, 1999	70,602
Charge for the year	19,943
At 30 June, 2000	90,545
Charge for the year	22,358
At 30 June, 2001	112,903
Charge for the year	28,249
At 30 June, 2002	141,152
Charge for the period	26,398
At 30 April, 2003	167,550
CARRYING AMOUNT	
At 30 June, 2000	1,981,434
At 30 June, 2001	1,961,378
At 30 June, 2002	1,934,308
At 30 April, 2003	1,907,910

14. Investments in jointly controlled entities

The principal terms of the joint ventures under which the jointly controlled entities operate are as follows:

(i) GS Superhighway JV

GS Superhighway JV is a co-operative joint venture company established in the PRC 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 terms 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 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 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 the 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. 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 a co-operative joint venture company established in the PRC to undertake the construction, operation and management of an expressway running along the eastern, southern and western fringes of the Guangzhou urban areas ("Guangzhou E-S-W Ring Road"). The co-operation period is 30 years commencing from 1 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 Guangzhou E-S-W 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 Guangzhou E-S-W 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.

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

In respect of the year ended 30 June, 2000:

	GS Superhighway JV	Ring Road JV	Total
	HK$'000	HK$'000	HK$'000
Current assets	58,508	230,616	289,124
Non-current assets	5,563,916	1,826,782	7,390,698
Current liabilities	947,591	545,052	1,492,643
Non-current liabilities	682,459	857,150	1,539,609
Income	745,987	54,421	800,408
Expenses	366,615	41,487	408,102

In respect of the year ended 30 June, 2001:

	GS Superhighway JV	Ring Road JV	Total
	HK$'000	HK$'000	HK$'000
Current assets	258,126	296,155	554,281
Non-current assets	5,507,931	1,909,965	7,417,896
Current liabilities	163,675	634,567	798,242
Non-current liabilities	2,030,684	882,563	2,913,247
Income	815,060	99,707	914,767
Expenses	346,208	55,298	401,506

In respect of the year ended 30 June, 2002:

	GS Superhighway JV	Ring Road JV	Total
	HK$'000	HK$'000	HK$'000
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 ten months ended 30 April, 2003:

	GS Superhighway JV	Ring Road JV	Total
	HK$'000	HK$'000	HK$'000
Current assets	181,595	63,043	244,638
Non-current assets	5,317,097	1,881,202	7,198,299
Current liabilities	337,710	13,121	350,831
Non-current liabilities	4,002,703	1,357,514	5,360,217
Income	801,348	87,643	888,991
Expenses	306,736	67,180	373,916

15. Toll road project under development

The balance represents the costs incurred by the Group on the development of the 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

	At 30 June,			At 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Loans to:				
GS Superhighway JV	4,655,519	3,480,504	563,880	384,653
Ring Road JV	781,057	801,250	645,328	626,741
	5,436,576	4,281,754	1,209,208	1,011,394
Less: Loan to GS Superhighway JV due for settlement within twelve months (shown under current assets)	(545,975)	—	—	—
Amounts due for settlement after twelve months	4,890,601	4,281,754	1,209,208	1,011,394

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. Included in the loan to GS Superhighway JV as at 30 June, 2000 was an aggregate amount of approximately HK$1,431,823,000 (including all the current portion of the loan), representing the syndicated bank loans borrowed by the Group and on-lent to GS Superhighway JV. During the year ended 30 June, 2001, all the syndicated bank loans were fully settled.

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 amount is due from an outside joint venture partner of Ring Road JV.

18. Bank balances and cash

Included in the bank balances and cash are bank deposits of approximately HK$259,187,000, HK$512,732,000, HK$97,800,000 and HK$281,447,000 as at 30 June, 2000, 2001 and 2002 and 30 April, 2003 respectively 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.

19. Other financial assets

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

Bank balances and cash comprise cash and short-term deposits held for the treasury function of the Group. The carrying amounts of these assets approximate 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

For the purpose of the preparation of the combined balance sheets, the balances of the share capital as at 30 June, 2000, 2001 and 2002 and at 30 April, 2003 respectively, include the share capitals of Fan Wai, Most Top, HHI GS Superhighway Co, Wilberforce and Yager. The share capital as at 30 April, 2003 also includes the share capital of the Company.

21. Reserves

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

	At 30 June,			At 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
PRC statutory reserves	—	—	22,884	56,464
Translation reserve	3,905	4,060	2,883	3,565
Retained profits (accumulated losses)	(94,925)	145,619	589,931	624,732
	(91,020)	149,679	615,698	684,761

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.

22. Bank and other loans

	At 30 June,			At 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans				
Secured	4,515,110	2,876,418	5,042,113	4,874,848
Unsecured	254,142	240,294	240,294	240,210
Other loans, unsecured	307,542	307,890	142,983	95,833
	5,076,794	3,424,602	5,425,390	5,210,891
The borrowings are repayable as follows:				
On demand or within one year	1,881,133	787,263	253,857	376,197
In the second year	1,956,651	552,539	671,137	763,711
In the third to fifth years inclusive	931,468	1,080,497	1,534,644	1,666,330
After five years	307,542	1,004,303	2,965,752	2,404,653
	5,076,794	3,424,602	5,425,390	5,210,891
Less: Amounts due for settlement within twelve months (shown under current liabilities)	(1,881,133)	(787,263)	(253,857)	(376,197)
Amounts due for settlement after twelve months	3,195,661	2,637,339	5,171,533	4,834,694

Analysis of borrowings by currency:

	At 30 June, 2000		
	US$	RMB	HK$
	HK$'000	HK$'000	HK$'000
Bank loans	3,014,724	786,145	968,383
Other loans	—	307,542	—
	3,014,724	1,093,687	968,383

	At 30 June, 2001		
	US$	RMB	HK$
	HK$'000	HK$'000	HK$'000
Bank loans	1,307,590	868,309	940,813
Other loans	—	307,890	—
	1,307,590	1,176,199	940,813

	At 30 June, 2002		
	US$	RMB	HK$
	HK$'000	HK$'000	HK$'000
Bank loans	3,947,317	868,090	467,000
Other loans	—	142,983	—
	3,947,317	1,011,073	467,000

	At 30 April, 2003		
	US$	RMB	HK$
	HK$'000	HK$'000	HK$'000
Bank loans	3,825,052	868,006	422,000
Other loans	—	95,833	—
	3,825,052	963,839	422,000

The average rates of interest were as follows:

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
Bank loans	7.7%	6.3%	3.6%	2.9%
Other loans	6.7%	5.9%	5.1%	4.8%

Other than the other loan amounts of approximately HK$16,394,000, HK$16,412,000, HK$16,412,000 and HK$16,406,000 as at 30 June, 2000, 2001 and 2002 and 30 April, 2003 respectively which are interest-free, the bank and other loans carry interest at commercial lending rates.

The directors consider that the carrying amounts of the interest-bearing loans approximate 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 values.

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:

	At 30 June,			At 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Other interests payable	5,146	17,611	25,531	28,488
Less: Amounts due for settlement within twelve months (shown under current liabilities)	(5,146)	(17,611)	(12,766)	(28,488)
Amounts due for settlement after twelve months	—	—	12,765	—

24. Loans from joint venture partners

	At 30 June,			At 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
GS Superhighway JV (interest-bearing)	75,132	54,053	7,960	8,205
Ring Road JV (interest-free)	849,350	867,163	738,047	711,248
	924,482	921,216	746,007	719,453

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.

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 values.

25. Amounts due to holding companies

	At 30 June,			At 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Interest-free	9,150,652	9,322,246	5,711,311	5,002,133
Interest-bearing at fixed rate of 10.1244% per annum	48,313	53,514	—	—
	9,198,965	9,375,760	5,711,311	5,002,133

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

The amounts due to holding companies to the extent of approximately HK$4,500 million were subsequently capitalised.

26. Deferred tax liabilities

The deferred tax liabilities as shown in the combined 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:

	At 30 June,			At 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Excess of tax allowances over depreciation	47,800	77,100	106,600	130,870
Unutilised tax losses	(300)	(4,100)	(14,700)	(22,800)
	47,500	73,000	91,900	108,070

The movements for the year/period in the deferred tax liabilities are as follows:

	Year ended 30 June,			Ten months ended 30 April,
	2000	2001	2002	2003
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of the year/period	22,800	47,500	73,000	91,900
Charge for the year/period (note 7)	24,700	25,500	18,900	16,170
At end of the year/period	47,500	73,000	91,900	108,070

27. Interest payable to a jointly controlled entity

The amount is due to Ring Road JV.

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

Pursuant to agreements entered into with other joint venture partners of Ring Road JV, the Group had agreed to fund the construction of Guangzhou E-S-W Ring Road to the extent of RMB2,000 million, of which approximately RMB446 million and RMB486 million remained outstanding at 30 June, 2000 and 2001 respectively. During the year ended 30 June, 2001, a bank loan was obtained by Ring Road JV to fund its operations and the contributions from its joint venture partners.

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 30 April, 2003, GS Superhighway JV had outstanding commitment in respect of repavement of asphalt for GS Superhighway contracted but not provided for amounting to approximately HK$121 million.

At 30 April, 2003, commitments in respect of the construction of Phase I West which had been contracted for amounted to approximately HK$339 million.

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, the Group and a jointly controlled entity had the following significant transactions with the ultimate holding company and its subsidiary during the Relevant Periods:

Relationship	Nature of transaction	Year ended 30 June,			Ten months ended 30 April,
		2000	2001	2002	2003
		HK$'000	HK$'000	HK$'000	HK$'000
Ultimate holding company	Interest paid (note a)	7,027	10,318	8,049	—

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 Relevant Periods free of any charge. The directors of the Company have confirmed that these guarantees will be replaced by guarantees issued by the Company at the same time as the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group also had paid rentals, air-conditioning and electricity charges and government rates to a fellow subsidiary amounting to approximately HK$554,000, HK$554,000 and HK$439,000 for the years ended 30 June, 2001 and 2002 and the ten months ended 30 April, 2003, respectively. The directors of the Company have confirmed that these transactions will continue after the listing of the Company's shares on the Main Board of the Stock Exchange.

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

Relationship	Nature of transaction	Year ended 30 June,			Ten months ended 30 April,
		2000	2001	2002	2003
		HK$'000	HK$'000	HK$'000	HK$'000
Other joint venture partner of GS Superhighway JV	Interest paid (notes b and d)	4,814	2,753	1,339	495
	Management fee paid	3,233	—	—	—
	Reimbursement of operating expenses to the joint venture partner (note d)	—	5,440	5,440	4,696
	Consultancy fee paid (note d)	—	—	—	1,884
	Dividends paid and payable	—	—	—	423,900
Other PRC joint venture partner of Ring Road JV	Management fee paid (note d)	4,008	3,994	3,999	3,222
Other foreign joint venture partner of Ring Road JV	Management fee paid (note d)	2,004	1,997	2,000	1,666
	Interest income (notes b and d)	—	28,978	33,021	33,101

In addition, during the year ended 30 June, 2002 and the ten months ended 30 April, 2003, 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$565,000 and HK$283,000 for the respective periods. Subsequent to 30 April, 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.

Notes:

a. The interest was charged on the principal amount of loans outstanding at a fixed rate of 10.1244% per annum.

b. The interest was charged on the principal amount of loans outstanding at commercial lending rates.

c. In the opinion of directors, the transactions other than those mentioned in notes a and b were carried out based on the terms agreed by the parties concerned and in the ordinary course of business.

d The directors of the Company have confirmed that these transactions will continue after the listing of the Company's shares on the Main Board of the Stock Exchange.

B. NET ASSETS OF THE COMPANY

The Company was incorporated on 14 January, 2003. Pursuant to the Group Reorganisation, the Company became the holding company of the Group on 30 June, 2003. Had the Group Reorganisation been completed on 30 April, 2003, the net assets of the Company at that date would have been approximately HK$1,247 million, representing the Company's investment in its subsidiaries.

The Company had no distributable reserves at 30 April, 2003.

C. ULTIMATE HOLDING COMPANY

As at 30 April, 2003, the directors consider that Company's ultimate holding company to be Hopewell Holdings Limited, a public limited liability company incorporated in Hong Kong whose shares are listed on The Stock Exchange of Hong Kong Limited.

D. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration has been paid or is payable in respect of the Relevant Periods by the Company or any of its subsidiaries to the Company's directors.

Under the arrangements presently in force, the aggregate remunerations payable to the directors of the Company for the year ended 30 June, 2003 is estimated to be approximately HK$2,682,000.

E. SUBSEQUENT EVENTS

Subsequent to 30 April, 2003, in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the subsidiaries now comprising the Group underwent a reorganisation to rationalise the group structure. As a result of the reorganisation, the Company became the holding company of the Group on 30 June, 2003. The details of this reorganisation, and other changes, are set out in the paragraph headed "Corporate Reorganisation" in Appendix IX to the Prospectus.

F. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company, any of its subsidiaries or jointly controlled entitles have been prepared in respect of any period subsequent to 30 April, 2003.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The combined financial information of the Company is prepared and presented in accordance with IFRS, which differs in certain material respects from accounting principles generally accepted in Hong Kong ("HK GAAP") and accounting principles generally accepted in the United States ("US GAAP"). Such differences involve methods for measuring the amounts shown in the financial information, as well as additional disclosures, which have not been described, required by HK GAAP or/and US GAAP.

Certain material differences among IFRS, HK GAAP and US GAAP relevant to the Company's combined financial information are summarised below. This summary should not be construed to be exhaustive. The Company has made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences among IFRS, HK GAAP and US GAAP, and how these differences might affect the financial information herein. Additionally, no attempt has been made to identify future differences among IFRS, HK GAAP and US GAAP as the result of prescribed changes in accounting standards and regulations. Regulatory and professional bodies that promulgate IFRS, HK GAAP and US GAAP have significant ongoing projects that could affect future comparisons such as this one. Finally, no attempt has been made to identify all future differences among IFRS, HK GAAP and US GAAP that may affect the Company's combined financial information as a result of transactions or events that may occur in the future.

1. ACCOUNTING FOR JOINTLY CONTROLLED ENTITIES

IFRS's benchmark treatment for a venturer to account for its interest in the jointly controlled entity is proportionate consolidation of the financial statements of the jointly controlled entity. Proportionate consolidation may be given effect by either combining the venturer's share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items in its own financial statements on a line-by-line basis; or including separate line items for the venturer's share of the assets, liabilities, income and expenses of the jointly controlled entity in its own financial statements. IFRS also permits the equity method of accounting as an allowed alternative treatment for a venturer to report the interest in the jointly controlled entity.

Under HK GAAP and US GAAP, investments in jointly controlled entities should be accounted for by the equity method in consolidated financial statements. However, under US GAAP, where it is established industry practice, e.g. in some oil and gas venture accounting, the investor-venturer may account on a pro rata basis for its shares of the assets, liabilities, revenue and expenses of the venture.

2. REVALUATION OF FIXED ASSETS AND DEPRECIATION

IFRS and HK GAAP allow, but do not require, periodic revaluation of property, plant and equipment. Depreciation is provided to write off the depreciable amounts of property, plant and equipment over their estimated useful lives on a systematic basis.

Under US GAAP, property, plant and equipment must be stated at historical cost and, other than freehold land, must be depreciated over the estimated useful life of the assets on a systematic basis.

3. GOODWILL ARISING ON CONSOLIDATION

IFRS and HK GAAP requires goodwill arising from an acquisition to be capitalised and amortised over its estimated useful life, which normally should not exceed twenty years. Negative goodwill is presented as a deduction from positive goodwill and is released to income based on an analysis of the circumstances from which the balance of negative goodwill resulted. At each balance sheet date, the recoverable amount of goodwill must be estimated and any impairment loss should be taken to the income statement.

US GAAP requires that goodwill acquired in a business combination no longer be amortised, but instead tested for impairment at least annually. Negative goodwill shall be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except financial assets other than investments accounted for by the equity method, assets to be disposed of by sale, deferred tax assets, prepaid assets relating to pension or other postretirement benefit plans, and any other current assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognised as an extraordinary gain. The extraordinary gain shall be recognised in the period in which the business combination is completed unless the acquisition involves contingent consideration that, if paid or issued, would be recognised as an additional element of cost of the acquired entity.

4. IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

IFRS and HK GAAP require that an enterprise assess at each balance sheet date whether there is any indication that a long-lived asset may be impaired. If any such indication exists, the enterprise should estimate the recoverable amount of the long-lived asset. Recoverable amount is the higher of a long-lived asset's net selling price and its value in use. Value in use is measured on a discounted present value basis. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A reversal of previous provision of impairment is allowed to the extent of the loss previously recognised as expense in the income statement.

Under US GAAP, long-lived assets and certain identifiable intangibles (excluding goodwill) held and used by an entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of a long-lived asset and certain identifiable intangibles (excluding goodwill) may not be recoverable. An impairment loss is recognised if the expected future cash flows (undiscounted) are less than the carrying amount of the assets. The impairment loss is measured based on the fair value of the long-lived assets and certain identifiable intangibles (excluding goodwill). Subsequent reversal of the loss is prohibited. Long-lived assets and certain identifiable intangibles (excluding goodwill) to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

5. DEFERRED INCOME TAXES

Under IFRS, deferred tax liabilities and assets are recognised for the estimated future tax effects of all temporary differences between the financial statements carrying amounts of assets and liabilities and their respective tax bases. Deferred tax asset is recognised to the extent that it is probable that future profits will be available to offset the deductible temporary differences or carry forward of unused tax losses and unused tax credits.

Under HK GAAP, for the accounting periods beginning prior to 1 January, 2003, deferred taxation was recognised in respect of the tax effect of all timing differences, to the extent that it is probable that an asset or a liability will crystallize in the foreseeable future. With respect to recognising a deferred tax asset relating to prior operating losses that can be carried forward as deduction against taxable income in future years, HK GAAP required deferred tax net debit balance to be carried forward as assets only to the extent that they are expected to be recoverable without replacement by equivalent debit balance. Effective from all the accounting periods beginning on or after 1 January, 2003, HK GAAP adopts the same approach as IFRS in accounting for deferred income taxes.

Under US GAAP, deferred tax assets are recognised, subject to a valuation allowance, to the extent that it is "more likely than not'' that some portion or all of the deferred tax assets will not be realised. "More likely than not'' is defined as a likelihood of more than 50%.

With respect of the measurement of the deferred taxation, IFRS requires recognition of the effects of a change in tax laws or rates when the change is "substantively" enacted. US GAAP requires measurement using enacted tax laws and rates at the balance sheet date.

6. FOREIGN CURRENCY TRANSACTIONS

IFRS allows exchange losses on a liability for the recent acquisition of an asset invoiced in a foreign currency to be added to the cost of the asset when there is a severe devaluation or depreciation of a currency against which there is no practical means of hedging and that affects the related liability which cannot be settled. This accounting treatment is not permitted under both HK GAAP and US GAAP.

7. INTANGIBLE ASSETS

Under IFRS and HK GAAP, amortisation of intangible assets is mandatory with a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use. A revaluation of an intangible asset is allowed as an alternative treatment if the intangible asset is traded on an active market.

Under US GAAP, intangible assets (other than goodwill) with indefinite useful lives are not amortised but instead tested for impairment at least annually in accordance with the provisions of SFAS 142 "Goodwill and Other Intangible Assets". Intangible assets (other than goodwill) that have finite useful lives are amortised over their useful lives. No revaluation of intangible assets (other than goodwill) is permitted.

8. RESEARCH AND DEVELOPMENT COSTS

Both IFRS and HK GAAP require classification of the costs associated with the creation of intangible assets by research phase and development phase. Costs in the research phase must always be expensed. Costs in the development phase are expensed unless the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure the expenditure attributable to the intangible asset during the development phase.

Under US GAAP, research and development costs are expensed as incurred except for:

- those incurred on behalf of other parties under contractual arrangements;
- those that are unique for enterprises in the extractive industries;
- certain costs incurred internally in creating a computer software product to be sold, leased or otherwise marketed, whose technological feasibility is established, i.e. upon completion of a detailed program design or, in its absence, upon completion of a working model; and
- certain costs related to the computer software developed or obtained for internal use.

The general requirement to write off expenditure on research and development as incurred is extended to research and development acquired in a business combination.

9. SEGMENTAL REPORTING

Under IFRS and HK GAAP, a listed enterprise is required to determine its primary and secondary segments (i.e. business and geographical) reporting format and to disclosed the results, assets and liability of each such segments being identified. The determination of primary and secondary segment is based on the dominant source of the enterprise's business risks and returns. Accounting policies adopted for preparing and presenting the financial statements of the company should also be adopted in reporting the segmental results and assets.

Under US GAAP, a management approach is employed in defining segments based on operating segments. An enterprise is required to identify externally reportable segments by looking to the internally reported segments of an enterprise, but only for the primary basis of segment reporting. US GAAP does not identify a secondary reporting format based on management segment reporting and a mixed segmentation is allowed if that is how it is reported internally. In measurement of the segmental results, US GAAP permits the use of the accounting polices used for internal reporting purposes which is not necessarily consistent to the consolidated financial statements.

10. PROVISIONS

Under IFRS and HK GAAP, provisions are recognised when an entity has a legal obligation or constructive obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. An outflow of resources or other events is regarded as probable if the event is more likely than not to occur. The provision should be measured based on the best estimate of expenditure required to settled the present obligation at the balance sheet date by the use of the most likely outcome or expected value (for provision related to a large population of items). In measuring the provision, the estimated economic outflow should be discounted to present value when the time value of money is material.

Under US GAAP, provisions are recognised when the Company has a present obligation and it is probable that they will occur. Probable is defined as likely to occur. If a range of estimates for the provision is present and no amount in the range is more likely than any other amount in the range, the "minimum" amount must be used to measure the liability. A provision must only be discounted when the timing of the cash flows is fixed.

11. CAPITALISATION OF BORROWING COSTS

IFRS allows and HK GAAP requires capitalisation of borrowing costs for those borrowings being directly attributable to 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. The amount to be capitalised is the borrowing cost which could theoretically have been avoided if the expenditure on the qualifying asset were not made. The benchmark treatment under IFRS is to expense all borrowing costs.

US GAAP requires capitalisation of interest costs for qualifying assets. One difference arises with respect to the calculation of borrowing costs to be capitalised where funds are borrowed specifically for the purpose of obtaining a qualifying asset. Under IFRS and HK GAAP, any investment income earned on the temporary investment of funds pending their expenditure on the qualifying assets are deducted from the actual borrowing costs incurred to arrive at the borrowing cost eligible for capitalisation. Under US GAAP, the amount of borrowing cost to be capitalised is based solely on the interest related to the expenditure incurred. Any temporary investment income earned is ignored.

(A) PROFIT ESTIMATE FOR THE YEAR ENDED 30 JUNE, 2003

The estimate of the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ended 30 June, 2003 is set out in the section headed "Financial information — Profit estimate and forecast — Profit estimate for the year ended 30 June, 2003" in this prospectus.

Basis

The estimate of the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ended 30 June, 2003 is based on the audited combined results of the Group for the ten months ended 30 April, 2003, the combined results shown in the unaudited combined management accounts of the Group for the month of May 2003 and an estimate of the combined results of the Group for the remaining one month of the financial year ended 30 June, 2003. The Directors are not aware of, nor do they expect, any extraordinary items which have arisen during the year ended 30 June, 2003. The estimate for the year ended 30 June, 2003 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountants' Report set out in Appendix I of this prospectus.

(B) PROFIT FORECAST FOR THE YEAR ENDING 30 JUNE, 2004

The forecast combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 30 June, 2004 is set out in the section headed "Financial Information — Profit Forecast — Profit forecast for the year ending 30 June, 2004" in this prospectus.

Bases and assumptions

The forecast of the combined profit after taxation and minority interests but before extraordinary items of the Group for the year ending 30 June, 2004 is based on a forecast of the results of the Group for the year ending 30 June, 2004. The Directors are not aware of, nor do they expect, any extraordinary items which are likely to arise during the year ending 30 June, 2004. The forecast for the year ending 30 June, 2004 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountants' Report set out in Appendix I of this prospectus.

The Directors have adopted the following assumptions in the preparation of the profit forecast:

(a) there will be no material changes in existing political, legal, fiscal, market or economic conditions in Hong Kong, the PRC or any other countries or territories in which the Group currently operates or which are otherwise material to the Group's income;

(b) there will be no changes in policies, legislation, regulations or rules in Hong Kong, the PRC or any other countries or territories in which the Group operates or have arrangements or agreements (including, but not limited to, those in relation to traffic and transport), which may adversely affect the Group's business or operations;

(c) there will be no material changes in the bases or rates of taxation in the countries or territories in which the Group operates;

(d) there will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as at the date of this prospectus;

(e) the Group's operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents; and

(f) the volumes of traffic will not be less than the levels projected by the traffic consultant in the conservative scenarios as stated in Appendix VI.

(C) LETTERS

Set out below are texts of the letters received by the Company from Deloitte Touche Tohmatsu, the auditors and reporting accountants of the Company, and from Citigroup in connection with the estimated and forecast combined profit after taxation and minority interests but before extraordinary items of the Group for the year ended 30 June, 2003 and the year ending 30 June, 2004, respectively.

(I) Letters from Deloitte Touche Tohmatsu

德勤•關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

執業會計師
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu

28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the combined profit after taxation and minority interests but before extraordinary items of Hopewell Highway Infrastructure Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June, 2003 (the "Estimate"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 28 July, 2003 issued by the Company. The Estimate is prepared based on the audited combined results of the Group for the ten months ended 30 April, 2003, the combined results shown in the unaudited combined management accounts of the Group for the month of May 2003 and an estimate of the combined results of the Group for the remaining one month of the financial year ended 30 June, 2003 and on the basis that the Group had been in existence throughout the entire financial year.

In our opinion, the Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the bases made by the directors of the Company as set out in part A of Appendix III of the above-mentioned prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 28 July, 2003, the text of which is set out in Appendix I of the above-mentioned prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

執業會計師
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu

28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the combined profit after taxation and minority interest but before extraordinary items of Hopewell Highway Infrastructure Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 30 June, 2004 (the "Forecast") for which the directors of the Company are solely responsible, as set out in the prospectus dated 28 July, 2003 issued by the Company.

In our opinion, the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in part B of Appendix III of the above-mentioned prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 28 July, 2003, the text of which is set out in Appendix I of the above-mentioned prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(II) Letter from Citigroup

citigroup

28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited

Dear Sirs,

We refer to the estimate and forecast of the combined profit after taxation and minority interest but before extraordinary items of Hopewell Highway Infrastructure Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June, 2003 and the year ending 30 June, 2004, respectively, (the "Profit Estimate" and the "Profit Forecast", respectively) as set out in the prospectus issued by the Company dated 28 July, 2003.

We have discussed with you the bases and assumptions upon which the Profit Estimate and the Profit Forecast have been made. We have also considered, and relied upon, the letters dated 28 July, 2003 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Estimate and the Profit Forecast have been made.

On the basis of the information comprising the Profit Estimate and the Profit Forecast and on the bases and assumptions of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Estimate and the Profit Forecast, for which you are solely responsible, have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Citigroup Global Markets Asia Limited
Frank J. Slevin
Managing Director

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from FPDSavills (Hong Kong) Limited, the independent property valuer, in connection with their valuations as at 30 April, 2003 of the property interests of the Group.

FPDsavills
第一太平戴維斯 INTERNATIONAL PROPERTY CONSULTANTS

FPDSavills (Hong Kong) Limited
23/F Two Exchange Square
Central, Hong Kong

Telephone: 2801 6100
Direct Line: 2801 6100
Direct Fax: 2530 0756

www.fpdsavills.com
www.fpdsavillsproperty.com

FPDsavills International

28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited
Room 6402, 64th Floor,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests of Hopewell Highway Infrastructure Limited (the "Company"), its subsidiaries and jointly controlled entities (hereinafter together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of the open market values of the property interests as at 30 April, 2003 (the "Valuation Date").

Our valuations of the property interests are our opinion of the open market value of each of the properties concerned which we would define as intended to mean "the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the Valuation Date, assuming:

a) a willing seller;

b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Our valuations are made in accordance with the Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors, the relevant provisions of the Companies Ordinance and Chapter 5 of Listing Rules published by the Stock Exchange of Hong Kong and its Practice Note 12.

Properties in Group I are held by the Group for occupation and the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison based on the prices realized on actual sales or offerings of comparable properties is made. Comparable properties with similar size, character and location are analysed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

In respect of property interests in Groups II and III which are rented and occupied by the Group in Hong Kong and the PRC respectively under tenancy agreements, we are of the opinion that they have no commercial value due to the prohibition against assignment or sub-letting or otherwise due to lack of substantial profit rent and/or the short term nature of the interests.

We have inspected the properties included in the attached valuation certificate. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or other defects. No tests were carried out on any of the services.

We have caused searches to be made at the relevant Land Registry against the property interests in Hong Kong. We have not, however, searched the original documents to verify ownership nor to ascertain the existence of any amendments which do not appear on the copies handed to us. For property interests in the PRC, we have not investigated the title of the property interests nor scrutinised the original documents, but have been provided with extracts of some title documents and the relevant tenancy agreements. All documents and leases have been used for reference only. In our valuations, we have relied on the advice given by the Group and its legal advisers on PRC laws, Haiwen & Partners (the "PRC Legal Advisers") regarding the title to the property interests in properties in the PRC.

Our valuations have been made on the assumption that the property interests can be sold in the open market without the effect of any deferred term contracts, leasebacks, joint ventures, management agreements or any other similar arrangements which might serve to affect the value of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties, and no allowance is made for the properties to be sold to a single party and/or as a portfolio or portfolios. We have also assumed that the Group has enforceable title to the property interests, and have free and uninterrupted rights to use the properties for the whole of the respective unexpired terms granted. In our valuations, we have taken into account the legal opinion of the PRC Legal Advisers, and while we have exercised our professional judgement in arriving at our valuations, you are urged to consider our valuation assumptions with caution. Other special assumptions of each property, if any, have been stated in the footnotes of the valuation certificate for the respective properties.

Having examined all relevant documentation, we have relied to a considerable extent on the information given by the Group, particularly in respect of statutory notices, easements, tenures, occupation, rentals, site areas and floor areas, and in the identification of those properties in which the Group has valid interests. All documents have been used for reference only. Unless otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximates. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, and have been advised by the Group that no material facts have been omitted from the information provided. We have no reason to suspect that any material information has been withheld, and consider that we have been provided with sufficient information to establish an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, all property values are denominated in Hong Kong Dollars. The exchange rate used in our valuation is HK$1 to RMB1.06 which was prevailing as at the Valuation Date. There has been no significant fluctuation in such exchange rate between the Valuation Date and the date of this letter.

Our valuations are summarised and our valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
FPDSavills (Hong Kong) Limited

William W L Wong
BLE, MRICS, MHKIS, RPS (GP)
Senior Director
Valuation and Consultancy

Samuel C K Young
BSc (Hons), RPS (GP), MCIArb
Associate Director
Valuation and Consultancy

Note: Mr. William W L Wong and Mr. Samuel C K Young are Chartered Surveyors with over 15 years' valuation experience in Hong Kong, including over 8 years' valuation experience in the PRC.

SUMMARY OF VALUES

No.	Property	Capital Value in existing state as at 30 April, 2003	Interest attributable to the Group	Capital Value Attributable to the Group
		(HK$)	(%)	(HK$)
Group I — Properties held by the Group for occupation in the PRC				
1.	Guangzhou-Shenzhen Superhighway, Guangdong Province, The PRC	No commercial value		No commercial value
2.	Guangzhou East-South-West Ring Road, Guangdong Province, The PRC	No commercial value		No commercial value
3.	Basement 2; Podium Levels 2 & 3; Units 02 to 06 on Level 8, the whole of Levels 9 to 13, Units 03 and 04 on Level 14 and Units 01 and 02 on Level 18 of East Tower, Jiaxing Building, Haizhu District, Guangzhou, Guangdong Province, The PRC	26,600,000	48.75%*	12,967,500
4.	Units 102, 103, 104, 203, 204, 303, 304, 403, 404, 503 and 504 of Block 3, Fu Yuan, Zhen Zhong Lu, Wangniudun, Dongguan, Guangdong Province, The PRC	1,090,000	48.75%*	531,375
	Sub-total:	27,690,000		13,498,875

SUMMARY OF VALUES

No.	Property	Capital Values in existing state as at 30 April, 2003
	Group II — Property rented by the Group in Hong Kong	
5.	Room 6402, 64th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong	No commercial value
	Sub-total:	No commercial value
	Group III — Properties rented by the Group in the PRC	
6.	Rooms 11330, 11331 and 11336, Tower 1, Guangzhou Sanyu Hotel, No.23 Sanyu Road, Dongshan District, Guangzhou, Guangdong Province, The PRC	No commercial value
7.	Asphalt Plant, North-east to Pier No. 2, Phase 1 of Xin Sha Gang District, Dongguan, Guangdong Province, The PRC	No commercial value
8.	2 plots of land (at K56+400 to K57+580) adjoining to the Guangzhou-Shenzhen Superhighway, Guangdong Province, The PRC	No commercial value
9.	Level 19, Jia Ye Building, No. 318 Dong Feng Zhong Road, Guangzhou, Guangdong Province, The PRC	No commercial value

No.	Property	Capital Values in existing state as at 30 April, 2003
10.	Portions of Levels 1 and 2, Tower 2, Ji Ye Garden, Pingzhou District, Nanhai, Guangdong Province, The PRC	No commercial value
11.	Portion of Level 1 Tower 2, Ji Ye Garden, Pingzhou District, Nanhai, Guangdong Province, The PRC	No commercial value
12.	Unit 206 and 23 units on Levels 3 to 8, Tower 4, Ji Ye Garden, Pingzhou District, Nanhai, Guangdong Province, The PRC	No commercial value
13.	Room 805, Nos. 111-115 Siyou Xin Malu, Dongshan District, Guangzhou, Guangdong Province, The PRC	No commercial value
	Sub-total:	No commercial value

	Capital Value in existing state as at 30 April, 2003 (HK$)	Capital Value Attributable to the Group (HK$)
Total:	27,690,000	13,498,875

* *Note:* The percentage interests attributable to the Group is based on the current profit sharing ratio, taking into account a minority party which currently holds 2.5% indirect interest in HHI GS Superhighway Co.

VALUATION CERTIFICATE

Group I — Properties held by the Group for occupation in the PRC

No.	Property	Description and Tenure	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
1	Guangzhou-Shenzhen Superhighway, Guangdong Province, The PRC	The property comprises a superhighway together with some ancillary facilities. The superhighway links Guangdan in Guangzhou to Huanggang in Shenzhen. The superhighway has a total length of 122.8 km and is of an asphalt-paved dual 3-lane carriageway design, with emergency parking shoulders in each direction. It is a closed system expressway facilitated with 18 interchanges and 18 toll plazas. The official open day of the superhighway was 1 July, 1997 (hereafter referred to as "GS Superhighway"). GS Superhighway is built with a petroleum filling station; a headquarters complex in Taiping, which includes 4 blocks of 6 to 7-storey staff quarters, a 12-storey office building, a 4-storey vehicles repairing centre, a 7-storey guest hostel and a single storey canteen; 3 office premises located in Shenzhen, Dongguan and Luogang (Guangzhou); 3 staff quarters located in Guangzhou, Hezhou and Daojiao as well as 95 advertising boards (hereafter referred to as "Ancillary Facilities").	GS Superhighway is operated by Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") as a Toll Road. Except for the petroleum filling station ("PFS"), the Ancillary Facilities are occupied by GS Superhighway JV. The operation of the PFS has been licensed for a period to be expired in 2017. 93 advertising boards are licensed under various cooperation agreements for various terms of 2 years to 9 years and 3 months. The latest expiry date of the agreements is 31 July, 2010. The other 2 advertising boards are occupied by GS Superhighway JV and offered for licence.	No Commercial Value

No.	Property	Description and Tenure	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
		The property comprises 45 parcels of land, which are held under 24 State-owned Land Use Rights Certificates and 21 Real Estate Ownership Certificates. The total site area underlying the property is 10,461,698 sq.m. (112,608,671 sq.ft.) or thereabouts. Except the 2 parcels of land which are held under State-owned Land Use Rights Certificates No. (2002)142 and (2000)C0200765 on which the terms are unspecified, the expiry date of remaining 43 parcels of land is 30 June, 2027.		

Notes:

1. Pursuant to the Joint Venture Contract for the Cooperative Construction, Operation and Management of the Guangzhou-Shenzhen-Zhuhai Superhighway and Service Facilities dated 20 April, 1987 and its subsequent amendments dated 25 December, 1987, 30 December, 1990, 23 November, 1992, 27 October, 1994 and 3 April, 1997, together with the Articles of Association of the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited dated 6 February, 1988 and its subsequent amendment dated 31 December, 1991 (together referred to as "GS JV Contract"), the salient conditions are stipulated as follows:

i.	Joint Venture Entity	:	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (hereinafter referred to as "GS Superhighway JV")			
ii.	Party A	:	Guangdong Provincial Highway Construction Company			
	Party B	:	Hopewell China Development (Superhighway) Limited			
iii.	Concession Period	:	30 years from 1 July, 1997			
iv.	Profit distribution (Party's B share)	:	(a)	1st to 10th year	:	50% of Distributable Profit
			(b)	11th to 20th year	:	48% of Distributable Profit
			(c)	21st to 30th year	:	45% of Distributable Profit

2. By virtue of Business Licence (Registration No.: Qi Zuo Yue Zong Zi No. 000254) dated 8 November, 2001 issued by the Industrial and Commerce Administrative Bureau of Guangdong Province, the operation period of GS Superhighway commenced on 27 April, 1988 and expires on 30 June, 2027.

3. GS Superhighway JV has been granted a Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hongkong, Macau Chinese in the People's Republic of China (Document No.: Yue He Zuo Zheng Zi (1988) 0151) by the People's Government of Guangdong dated 25 April, 1988.

4. Pursuant to the 24 State-owned Land Use Rights Certificates (LURC), the respective land use rights of the property are allocated to GS Superhighway JV for highway uses. Furthermore, pursuant to 21 Real Estate Ownership Certificates (REOC), the respective land use rights of the property are held by GS Superhighway JV for highway uses for a term expiring on 30 June, 2027. It is stated on the REOC that the respective plots of land that form part of the property cannot be assigned by GS Superhighway JV, and that the mortgaging or leasing of the respective plots of land concerned shall be in accordance with relevant regulations.

5. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   (i) GS Superhighway JV has the right to use the property during the concession period;

   (ii) GS Superhighway JV shall not assign, mortgage or lease the property held under the 24 State-owned Land Use Rights Certificates (LURC) which are for highway uses. Except 2 parcels of land which is held under Land Use Rights Certificates No. (2002)142 and (2000)C0200765 respectively, the expiry date of the land use rights for the other 22 parcels of land is 30 June, 2027;

   (iii) GS Superhighway JV shall not assign or mortgage the property held under the 21 Real Estate Ownership Certificates (REOC) which are for highway uses. Leasing of the property shall be in accordance with relevant regulations. The expiry date of the land use rights for the 21 parcels of land which are held under the respective REOC is 30 June, 2027; and

   (iv) According to the LURC and REOC provided by the Company, there are no records of any encumbrances.

No.	Property	Description and Tenure	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
2	Guangzhou East-South-West Ring Road, Guangdong Province, The PRC	The property forms part of the Guangzhou Ring Road. It runs along the eastern, southern and western fringes of the Guangzhou urban areas. It begins on the east near the Guangdan toll plaza of the Guangzhou-Shenzhen Superhighway, and ends on the west at the Shabei interchange with the Guangzhou Northern Ring Road and the Guangfo Expressway ("Guangzhou E-S-W Ring Road"). The Guangzhou E-S-W Ring Road has a total length of 38 km and is of a concrete-paved dual 3-lane carriageway design. It is a closed system expressway facilitated with 10 interchanges, 10 toll plazas and a management centre at the Sanjiao interchange. It has been fully completed and in operation since June 2000. 2 parcels of land in Nanhai which are held under 2 State-owned Land Use Rights Certificates are allocated for the property for an unspecified term.	The property is operated and occupied by Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV") as a Toll Road.	No Commercial Value

Notes:

1. Pursuant to the Joint Venture Contract for the Cooperative Construction, Operation and Management of the Guangzhou East-South-West Ring Road dated 23 November, 1992 and its subsequent amendments dated 31 October, 1997, 1 December, 1998 and 30 July, 2001 together with the Articles of Association of the Guangzhou East-South-West Ring Road Company Limited dated 23 November, 1992 and its subsequent amendments dated 23 February, 1998 and 30 July, 2001 (together referred to as "Ring Road JV Contract"), the salient conditions are stipulated as follows:

i.	Joint Venture Entity	:	Guangzhou E-S-W Ring Road Company Limited (Hereinafter referred to as "Ring Road JV")			
ii.	Party A	:	Guangzhou City Tongda Highway Company			
	Party B(1)	:	Hopewell Guangzhou Ring Road Limited			
	Party B(2)	:	CKI Guangzhou Ring Roads Limited			
iii.	Concession Period	:	30 years from 1 January, 2002			
iv.	Profit distribution (Party B(1)'s share)	:	(a)	1st to 10th year	:	45% of Net Cash Flow
			(b)	11th to 20th year	:	37.5% of Net Cash Flow
			(c)	21st to 30th year	:	32.5% of Net Cash Flow

2. By virtue of Business Licence (Registration No.: Qi Zuo Yue Sui Zong Zi No 000342) dated 10 May, 2001 issued by the Industrial and Commerce Administrative Bureau of Guangzhou and granted to Ring Road JV, the operation period of the Guangzhou E-S-W Ring Road commenced on 26 December, 1992 and expires on 26 January, 2032.

3. Ring Road JV has been granted a Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China (Document No.: Sui He Zuo Zheng Zi (1992) 0577) by the People's Government of Guangzhou dated 24 December, 1992.

4. Pursuant to the 2 State-owned Land Use Rights Certificates (LURC) (Document Nos.: Nan Fu Guo Yong (1999) Zi No. 00264 and Nan Fu Guo Yong (1999) Zi No. 00265) dated 2 September, 1999, the land use rights of approximately 466,037.07 sq. m. (5,016,376.42 sq. ft.) of the property in Nanhai are allocated to Ring Road JV for highway uses. The LURC states that the property could not be assigned, leased or mortgaged by Ring Road JV.

5. The State-owned Land Use Rights Certificates/Real Estate Ownership Certificates of the remaining parcels of land in Guangzhou, which are not included in the 2 parcels of land as stated above, are in the process of application.

6. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that

   (i) Ring Road JV has the right to use the 2 parcels of land in Nanhai, which comprise approximately 466,037.07 square metres and are held under 2 State-owned Land Use Rights Certificates which are for highway uses, but it shall have no right to assign, mortgage or lease the property;

   (ii) Ring Road JV is in the process of obtaining the State-owned Land Use Rights Certificates for the remaining parcels of land in Guangzhou. There is no legal impediment for Ring Road JV in obtaining the abovementioned State-owned Land Use Rights Certificates; and

   (iii) According to the 2 State-owned Land Use Rights Certificates provided by the Company, there are no records of any encumbrances.

No.	Property	Description and Tenure	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
3	Basement 2; Podium Levels 2 & 3; Units 02 to 06 on Level 8, the whole of Levels 9 to 13, Units 03 and 04 on Level 14 and Units 01 and 02 on Level 18 of East Tower, Jiaxing Building, Haizhu District, Guangzhou, Guangdong Province, The PRC	The property comprises car parking spaces on Basement 2, 2 commercial floors on Podium Levels 2 and 3, and 39 residential units in a newly completed 23-storeys (excluding 2 basement levels) commercial/residential building. The total gross floor area of the property is approximately 6,149.082 sq.m. (66,188 sq.ft.) (excluding car park), including 2,412 sq.m. (25,963 sq.ft.) of commercial accommodation and 3,737.082 sq.m. (40,226 sq.ft.) of residential units. The property is held under a State-owned Land Use Rights Certificate dated 29 May, 2000 for a term of 70 years for residential use; 40 years for commercial/tourism/ entertainment use and 50 years for other uses. The commencement date of such land use rights term is May 2000.	The property is vacant.	HK$26,600,000 (48.75%* interests attributable to the Group: HK$12,967,500)

Notes:

* The percentage interests attributable to the Group is based on the current profit sharing ratio, taking into account a minority party which currently holds 2.5% indirect interest in HHI GS Superhighway Co.

1. Pursuant to an Agreement of Joint Development dated 26 March, 1998 and its subsequent amendments dated 6 April, 1999, 2 July, 1999, 22 November, 2000 and 6 December, 2001, which were entered into between Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") and Guangzhou Yuexing Real Estate Development Company Limited (together referred to as the "Joint Development Agreement"), portions of the property will be handed over to GS Superhighway JV after the property is completed. The handover is expected to occur in 2003.
2. The property is held by Guangzhou City Gao Su Zhi Ye Company Limited as stated on the State-owned Land Use Rights Certificate (LURC) (Document No. Sui Fu Guo Zhong (2000) Zi No. 074) dated 29 May, 2000. The LURC stipulates that the term of the land use rights is 70 years for residential use; 40 years for commercial/tourism/ entertainment use and 50 years for other uses, all of which commenced in May 2000.
3. The Real Estate Ownership Certificates of the property are in the process of application.

4. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   (i) A State-owned Land Use Rights Certificate has been granted to Guangzhou City Gao Su Zhi Ye Company Limited. The certificate stipulates that the term of the land use rights is 70 years for residential use; 40 years for commercial/tourism/entertainment use and 50 years for other uses, all of which commenced in May 2000;

   (ii) Guangzhou City Gao Su Zhi Ye Company Limited is in the process of applying for the relevant Real Estate Ownership Certificates for the property. After the relevant Real Estate Ownership Certificates are obtained, Guangzhou City Gao Su Zhi Ye Company Limited will process the transferral of the property to GS Superhighway JV in accordance with the Joint Development Agreement;

   (iii) According to the confirmation from GS Superhighway JV, the property is not subject to any mortgage, lease agreement or third party rights; and

   (iv) The rights of GS Superhighway JV as stated in the Joint Development Agreement is legally valid and protected by law.

No.	Property	Description and Tenure	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
4	Units 102, 103, 104, 203, 204, 303, 304, 403, 404, 503 and 504 of Block 3, Fu Yuan, Zhen Zhong Lu, Wangniudun, Dongguan, Guangdong Province, The PRC	The property comprises 11 residential units in a 5-storey residential building completed in or about 1991. The total gross floor area of the property is approximately 1,093.425 sq.m. (11,770 sq.ft.).	The property is occupied by Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") as staff quarters.	HK$1,090,000 (48.75%* interests attributable to the Group: HK$531,375)

Notes:

* The percentage interests attributable to the Group is based on the current profit sharing ratio, taking into account a minority party which currently holds 2.5% indirect interest in HHI GS Superhighway Co.

1. The property is held by Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") as stated on various Certificates of Building Ownership issued by the People's Government of Wangniudong, Dongguan dated 16 July, 1999.

2. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that

   (i) GS Superhighway JV has the right to assign and lease the property, but has no right to demolish the same; and

   (ii) According to the confirmation from GS Superhighway JV, the property is not subject to any mortgage, lease agreement or third party rights.

Group II — Property rented by the Group in Hong Kong

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
5	Room 6402, 64th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong	The property comprises a unit located in a 64-storey commercial building completed in 1980. It has a lettable floor area of approximately 219.16 sq.m. (2,359 sq.ft.). The property is held under a tenancy agreement dated 10 July, 2003 entered into between Singway (B.V.I.) Company Limited, the registered owner, as lessor and Hopewell China Development (Superhighway) Limited as lessee for a term of 2 years and expiring on 30 June, 2004. The monthly rental is HKD35,392.50 inclusive of management fee but exclusive of air-conditioning charges and government rates.	The property is occupied by Hopewell China Development (Superhighway) Limited as office.	No Commercial Value

Notes:

1. The registered owner of the property is Singway (B.V.I.) Company Limited.
2. The building in which the property forms part is subject to a Legal Charge in favour of BOCI Capital Limited.

Group III — Properties rented by the Group in the PRC

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
6	Rooms 11330, 11331 and 11336, Tower 1, Guangzhou Sanyu Hotel, No.23 Sanyu Road, Dongshan District, Guangzhou, Guangdong Province, The PRC	The property comprises 3 guest rooms in a hotel in Guangzhou. The property is held under a tenancy agreement entered into between Guangzhou Sanyu Hotel as lessor and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") as lessee for a term of 6 months commencing on 1 December, 2002, which is renewed for a further 7 months until 31 December, 2003. The daily rental is RMB 600 payable monthly, inclusive of service charges and underground railway charges.	The property is occupied by GS Superhighway JV as offices.	No Commercial Value

Notes:

1. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   (i) The use of the property by GS Superhighway JV in accordance with the terms and conditions of the tenancy agreement is legal; and

   (ii) Guangzhou Sanyu Hotel has the right to operate the business of office leasing.

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
7	Asphalt Plant, North-east to Pier No. 2, Phase 1 of Xin Sha Gang District, Dongguan, Guangdong Province, The PRC	The property comprises a plant for asphalt storage and mixing purpose together with a 400-metre pipeline connecting the property to the front portion of Pier No. 2 of Phase 1 of Xin Sha Gang, which are located near Machong, Dongguan. The site area of the property is approximately 9,870 sq.m. (106,240 sq.ft.). The property is held under a tenancy agreement entered into between Guangzhou Gang Xin Sha Gang Wu Company as lessor and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") as lessee for a term of 10 years commencing on 1 September, 2000 and expiring on 31 August, 2010.	The property is occupied by GS Superhighway JV as an asphalt plant.	No Commercial Value

Notes:

1. Pursuant to the tenancy agreement ("the Agreement"), the monthly rental of the property is RMB 10.20 per sq.m. during the period from 1 September, 2000 to 31 December, 2001. From 1 January, 2002 onwards, the monthly rental will be reviewed annually and is restricted to be in the range of 2% to 5% increase per annum.

2. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   i. the lessor has the right to operate the business of property leasing;

   ii. the lessee has the right to use and occupy, legally, the property under the terms and conditions of the tenancy agreement;

   iii. GS Superhighway JV shall not sub-let, lease or change the use of the property; and

   iv. GS Superhighway JV shall not mortgage any infrastructure or fixed assets in the property without the lessor's written consent.

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
8	2 plots of land (at K56+400 to K57+580) adjoining to the Guangzhou-Shenzhen Superhighway, Guangdong Province, The PRC	The property comprises 2 plots of land, having direct ingress and egress points on the northbound and southbound carriageway of the Guangzhou-Shenzhen Superhighway respectively. The total site area of the property is approximately 7,296 sq.m. (78,533 sq.ft.). The property is held under a tenancy agreement and a supplementary tenancy agreement entered into between Dongguanshi Humenzhen Bochong Cunshe Gang Cunmin Xiaozu as lessor and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") as lessee for a term of 50 years commencing on 31 December, 2000 and expiring on 31 December, 2050. The initial annual rental as at the Valuation Date was RMB150,000, inclusive of management and other miscellaneous costs.	The property is occupied as 2 petroleum filling stations.	No Commercial Value

Notes:

1. Pursuant to the relevant tenancy agreement and supplementary tenancy agreement, the annual rental of the property is RMB150,000 for the 1st to 5th year of the lease term, with an increase of 10% every five years thereafter until 31 December, 2021.

2. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   i. The property is used by Guangdong China Petroleum Product Sale Company Limited to construct and operate Dongguan Xin Lian petroleum filling stations, pursuant to the cooperation agreement entered into between GS Superhighway JV and Guangdong China Petroleum Product Sale Company Limited;

   ii. GS Superhighway JV shall not sub-let, change the use and function of the property or cooperate with third parties in relation to the property without the lessor's written consent; and

   iii. Since title document(s) and any relevant document(s) are not available for the property from the lessor, the relevant tenancy agreement and the supplement agreement thereto may not necessarily be protected by law.

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
9	Level 19, Jia Ye Building, No. 318 Dong Feng Zhong Road, Guangzhou, Guangdong Province, The PRC	The property comprises an office floor in a 28-storey commercial building completed in or about 1999. It has a total gross floor area of approximately 1,158.39 sq.m. (12,469 sq.ft.). The property is leased under a letter issued by Guangzhou City Tongda Highway Company as lessor to Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV") as lessee for an unspecified term of years commencing on 1 January, 2003. The monthly rental is RMB50,000, exclusive of water, electricity and management charges.	The property is occupied by Ring Road JV as office.	No Commercial Value

Notes:

1. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   i. the content of the letter is not in violation of the laws and regulations of the PRC;

   ii. the lessor is in the process of obtaining a Certificate(s) of Building Ownership; and

   iii. before the lessor obtains such Certificate(s) of Building Ownership, the right of Ring Road JV under the abovementioned letter is not protected by law.

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
10	Portions of Levels 1 and 2, Tower 2, Ji Ye Garden, Pingzhou District, Nanhai, Guangdong Province, The PRC	The property comprises portions of 2 commercial floors located in an 8-storey commercial/residential building completed in or about 1998. It has a total floor area of approximately 1,242 sq.m. (13,369 sq.ft.). The property is held under a tenancy agreement and a supplementary tenancy agreement entered into between Nanhai Nangang Real Estate Development Company as lessor and Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) as lessee for a term to be expired in the period between 29 February, 2004 and 31 December, 2004. The monthly rental is RMB8,270, exclusive of water, electricity and management charges.	The property is occupied by Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) as offices.	No Commercial Value

Notes:

1. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   i. the content of the tenancy agreements is not in violation of the laws and regulations of the PRC;

   ii. the relevant Certificate(s) of Building Ownership are not available in respect of the property from the lessor; and

   iii. the lessee has the right to use and occupy the property under the terms and conditions of the tenancy agreement, but such right is not protected against third party interests.

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
11	Portion of Level 1, Tower 2, Ji Ye Garden, Pingzhou District, Nanhai, Guangdong Province, The PRC	The property comprises portion of the ground floor of an 8-storey commercial/ residential building completed in or about 1998. It has a total floor area of approximately 172.6 sq.m. (1,858 sq.ft.). The property is held under a tenancy agreement entered into between Sanshan Gang Sanning Property Management Company Limited as lessor and Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) as lessee for a term of 2.5 years commencing on 20 March, 2002 and expiring on 20 September, 2004. The monthly rental is RMB1,726, exclusive of water, electricity and management charges.	The property is occupied by Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) as canteen and warehouse.	No Commercial Value

Notes:

1. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   i. the content of the tenancy agreement is not in violation of the laws and regulations of the PRC;

   ii. the relevant Certificate(s) of Building Ownership are not available in respect of the property from the lessor; and

   iii. the lessee has the right to use and occupy the property under the terms and conditions of the tenancy agreement, but such right is not protected against third party interests.

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
12	Unit 206 and 23 units on Levels 3 to 8, Tower 4, Ji Ye Garden, Pingzhou District, Nanhai, Guangdong Province, The PRC	The property comprises a total of 24 residential units in an 8-storey residential building completed in or about 1998. It has a total gross floor area of approximately 1,781.34 sq.m. (19,174 sq.ft.). The property is held under a tenancy agreement entered into between Guangdong Ocean and Fisheries Bureau Servicing Centre as lessor and Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) as lessee for a term of 36 months commencing on 23 March, 2002 and expiring on 23 March, 2005. The monthly rental is RMB9,000, exclusive of water, electricity and management charges etc.	The property is occupied by Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) as offices and staff quarters.	No Commercial Value

Notes:

1. The 23 units on Levels 3 to 8 that form part of the property are units 305-308, 405-408, 505-508, 605-608, 705-708 and 805-807.

2. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   i. the content of the tenancy agreement is not in violation of the laws and regulations of the PRC;

   ii. the relevant Certificate(s) of Building Ownership are not available in respect of the property from the lessor; and

   iii. the lessee has the right to use and occupy the property under the terms and conditions of the tenancy agreement, but such right is not protected against third party interests.

No.	Property	Description	Status of Occupancy	Capital Value in Existing state as at 30 April, 2003
13	Room 805, Nos. 111-115 Siyou Xin Malu, Dongshan District, Guangzhou, Guangdong Province, The PRC	The property comprises an office unit in a 29-storey commercial building completed in or about 1995. It has a total floor area of approximately 108.13 sq.m. (1,164 sq.ft.). The property is held under a tenancy agreement entered into between Guangdong Provincial Highway Construction Company as lessor and Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) as lessee for a term commencing on 1 January, 2003 and expiring on 31 December, 2003. The monthly rental is RMB5,407, exclusive of water, electricity and management charges.	The property is occupied by Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) as office.	No Commercial Value

Notes:

1. The PRC Legal Advisers have stated in their legal opinion, *inter alia*, that:

   i. the content of the tenancy agreement is not in violation of the laws and regulations of the PRC;

   ii. the lessor has the right to lease the property; and

   iii. the lessee has the right to use and occupy the property under the terms and conditions of the tenancy agreement.

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus, received from FPDSavills (Hong Kong) Limited, an independent business valuer, in connection with their valuation as at 30 April, 2003 of the fair market values of the Group's interest in the Road Projects. Unless otherwise defined in this appendix, terms used in this appendix shall have the meanings defined elsewhere in this prospectus.

FPDsavills
第一太平戴維斯 INTERNATIONAL PROPERTY CONSULTANTS

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FPDsavills International

28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited
Room 6402, 64th Floor,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

Dear Sirs,

In accordance with your instructions, we have conducted an assessment of the fair market values of the interests in Hopewell Highway Infrastructure Limited (the "Company"), its subsidiaries and jointly controlled entities (hereinafter together referred to as the "Group") in two fully operational toll road projects and a further toll road project under construction, all located in Guangdong Province, the People's Republic of China (the "PRC") (the "Group's Projects").

The purpose of this valuation is to express an independent opinion of the fair market values of the business enterprises as of 30 April, 2003. We confirm that we have carried out inspections and made relevant enquiries and obtained such further information as we considered necessary for the purpose of our valuation.

Business enterprise is defined for this valuation as the total invested capital, net of the value of debt but including shareholders' loans, and is equivalent to shareholders' equity plus shareholders' loans. The equity value is a pro rata share of the total based on the Group's ownership interest or is based on the free cash flows to which the Group is entitled in accordance with the respective joint venture contract without regard to the effects of minority interests or lack of marketability, if any.

Introduction

The Group's business activities currently consist of the investment in and development, operation and management of the toll road projects in Guangdong Province, the PRC. The Group currently owns attributable interests in three toll road projects, namely Guangzhou-Shenzhen Superhighway, Guangzhou East-South-West Ring Road and Phase 1 of the Western Delta Route. Except for the last toll road project which is under construction, the other two toll road projects are fully operational.

The Group's Projects whose business enterprises are the subject of this valuation are limited to the following:

No.	Project	Joint Venture's total registered capital (million)	Group's contribution of the Joint Venture's registered capital (%)	Group's portion of registered capital in the Joint Venture (million)	Concession period expiry	Toll collection commenced /expected to commence
Group I - Toll road projects held by the Group under Operation in the PRC						
1.	Guangzhou-Shenzhen Superhighway, Guangdong Province, The PRC	HK$702.00 (equivalent of RMB471.00)	100%	HK$702.00	30 June, 2027	18 July, 1994 (Trial)
2.	Guangzhou East-South-West Ring Road, Guangdong Province, The PRC	USD55.00	50%	USD27.50	31 December, 2031	26 June, 2000
Group II - Toll road project held by the Group under Construction						
3.	Phase 1 of the Western Delta Route, Guangdong Province, The PRC	RMB588.00	50%	RMB294.00	30 years from the date of issuance of business licence, which is assumed to be in the third quarter, 2003	1 July, 2004 (expected date to open)

Guangzhou-Shenzhen Superhighway ("GS Superhighway")

The GS Superhighway links Shenzhen to the south and Guangzhou to the north. The southern end of the GS Superhighway is the Huanggang toll plaza and the northern end is the Guangdan toll plaza. The Guangzhou-Shenzhen Superhighway has a total length of 122.8 km and is of an asphalt-paved dual 3-lane design. The GS Superhighway is a closed system expressway facilitated with 18 interchanges and 18 toll plazas. GS Superhighway has been collecting tolls since its trial operation in July 1994. Its official opening date was 1 July, 1997.

Guangzhou East-South-West Ring Road ("Guangzhou E-S-W Ring Road")

The Guangzhou E-S-W Ring Road forms part of the Guangzhou Ring Road. The Guangzhou E-S-W Ring Road runs along the eastern, southern and western fringes of the Guangzhou city. The Guangzhou E-S-W Ring Road begins from the east near the Guangdan toll plaza of the Guangzhou-Shenzhen Superhighway, and ends at the west at the Shabei interchange with the Northern Ring Road and the Guangfo Expressway. The Guangzhou E-S-W Ring Road has a total length of 38 km and is of a concrete-paved dual 3-lane design. It is a closed system expressway facilitated with 10 interchanges and 10 toll plazas. Guangzhou E-S-W Ring Road has been collecting tolls since 26 June, 2000.

Phase 1 of the Western Delta Route ("Phase 1 West")

Phase 1 West is currently under construction, and will form part of the proposed Western Delta Route, comprising 3 phases. Phase 1 West will comprise the section between Hainan interchange of Guangzhou E-S-W Ring Road to its north in Guangzhou and Bigui Road/National Highway 105 to its south in Shunde. Phase 1 West will have a total length of approximately 14.7 km and is of an asphalt-paved dual 3-lane carriageway design. Phase 1 West is expected to be completed by mid-2004. Upon completion, Phase 1 West will be a closed system expressway facilitated with 3 interchanges and 2 to 3 toll plazas.

Basis of Valuation

Our valuation is our opinion of the Fair Market Value of each of the business enterprises concerned. For the purpose of our valuation, "Fair Market Value" is intended to mean "the estimated amount at which a business enterprise might be expected to exchange for cash consideration, between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, with equity to both and with both contemplating the retention of the business for continuation of current operations unless the breakup of the business or the sale of its assets would yield greater investment returns."

Valuation Methodology

Our valuation was developed through the application of the income approach technique known as the discounted cash flow method. In this method, value depends on the present worth of future economic benefits to be derived from ownership of equity and shareholders' loans. Thus, indications of value were developed by discounting future net cash flows available for equity distribution and for servicing shareholders' loans to their present worth at market-driven required rates of return appropriate for the risks and hazards of the businesses.

Whilst the cash flows have been projected from the date of valuation, i.e. 30 April, 2003, we have taken into account major subsequent changes such as changes in debt obligations and market rates of return to those as of 30 May, 2003.

Scope of Investigation

Our investigation included an inspection of the Group's Projects, discussions with members of the Group's management in relation to the history and nature of the business, operations and prospects of the Group's Projects and review of the Group's historical and projected financial information and other relevant documents. We have also discussed with Parsons Brinckerhoff (Asia) Limited ("PBA"), the Company's traffic consultant, on the bases and assumptions underlying the traffic projections of the Group's Projects made by them. We consider the toll revenue in the conservative growth scenarios and the operation and maintenance costs as projected by PBA are appropriate to be adopted.

In the course of our valuation, we have considered, *inter alia*, the following factors:

- the economic outlook in general;
- the nature of the businesses and the history of the various operations concerned;
- the financial condition of the business enterprises;
- projected development costs to expand and development time schedules;
- projected operating costs;
- projected traffic flow, passenger volume and toll rates;
- other income (if any);
- market-derived investment returns of entities engaged in similar lines of business; and
- the financial and business risk of the enterprises including the continuity of income and the projected future results.

Valuation Assumptions

In the course of our valuation, we have assumed that the projects concerned will continue operating throughout the entire duration of their respective concession periods.

Furthermore, owing to the changing business environment of the Group's Projects, we have made a number of assumptions in order to express our opinion of fair market values of the business enterprises. The major assumptions adopted in this valuation are:

- There will be no major changes in the existing political, legal, and economic conditions in the PRC in which the Group carries on its business;
- There will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- The operational expenditure of each toll road project is assumed to be revised every 5 years;
- The traffic volume and toll revenue for the Group's Projects will conform to the level as projected by PBA in the conservative growth scenarios;
- The operation and maintenance cost for the Group's Projects will conform to the level as projected by PBA; and
- The toll road project under construction would be completed on schedule to the satisfaction of both the design engineer and the Company, and that all relevant standards and requirements of the government authorities will be met.

Other special assumptions of each business enterprise, if any, have been stated in the footnotes in the valuation certificate for the respective business enterprise.

Limiting Conditions

We have relied to a very considerable extent on the information given by you and the legal opinion of the Company's PRC legal advisers Haiwen & Partners, and have accepted advice given to us on such matters as data, records, documents, financial and business information as well as all other relevant matters. We have made reasonable enquiries, and have no reason to doubt the truth and accuracy of the information provided to us by you which are material to the valuation, and have been advised by you that no material facts have been omitted from the information supplied.

We have not undertaken structural or civil engineering surveys and are not therefore able to confirm the Group's Projects concerned are free from structural defects.

The conclusion of value is based on generally accepted valuation procedures and practice that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily qualified and ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company.

Based on our investigation and analysis as stated in this report, our opinion of the aggregate fair market value of the business enterprises as at 30 April, 2003, in relation to the Group's Projects is reasonably stated by the amount of RMB15,400 million, equivalent to approximately HK$14,528 million. The exchange rate used in our valuation is HK$1 to RMB1.06 which was prevailing as at the Valuation Date. There has been no significant fluctuation in such exchange rate between the Valuation Date and the date of this letter.

Our summary of values and valuation certificates are attached.

Yours faithfully,
For and on behalf of
FPDSavills (Hong Kong) Limited

William W L Wong
BLE, MRICS, MHKIS, RPS (GP)
Senior Director
Valuation and Consultancy

Samuel C K Young
BSc (Hons), RPS (GP), MCIArb
Associate Director
Valuation and Consultancy

SUMMARY OF VALUES

No.	Project	Group's attributable interests in the Toll Projects	Fair Market Value of the business enterprise attributable to the Group
		(%)	(RMB million)
Group I — Toll road projects held by the Group under Operation in the PRC			
1.	Guangzhou-Shenzhen Superhighway, Guangdong Province, The PRC	50.0% (1st to 10th year) 48.0% (11th to 20th year) 45.0% (21st to 30th year) *Percentage of Distributable Profit commencing on 1 July, 1997*	12,300
2.	Guangzhou East-South-West Ring Road, Guangdong Province, The PRC	45.0% (1st to 10th year) 37.5% (11th to 20th year) 32.5% (21st to 30th year) *Percentage of Net Cash Flow commencing on 1 January, 2002.*	1,930
		Sub-total:	14,230
Group II — Toll road project held by the Group under Construction in the PRC			
3.	Phase 1 of the Western Delta Route, Guangdong Province, The PRC	50% of net operating income*	1,170
		Sub-total:	1,170
		Grand total:	15,400

**Note:* As stipulated in the draft JV Contract, net operating income will be determined as after providing for (among other things) operating expenses, capital expenditure, debt service obligations and employee benefits.

VALUATION CERTIFICATE

Group I — Toll road projects held by the Group under Operation in the PRC

No.	Project location	Project description	Fair Market Value of the business enterprise attributable to the Group (RMB million)
1	Guangzhou-Shenzhen Superhighway, Guangdong Province, The PRC	The Guangzhou-Shenzhen Superhighway ("the GS Superhighway") links Guangdan in Guangzhou to Huanggang in Shenzhen. The GS Superhighway has a total length of 122.8 km and is of an asphalt-paved dual 3-lane carriageway design, with emergency parking shoulders in each direction. It is a closed system expressway facilitated with 18 interchanges and 18 toll plazas. The design speed of GS Superhighway is 120 km per hour. The GS Superhighway has been collecting tolls since its trial operation in July, 1994. Its official opening date was 1 July, 1997.	12,300

Notes:

1. **Extracts of Joint Venture Agreement**

Pursuant to the Joint Venture Contract for the Cooperative Construction, Operation and Management of the Guangzhou-Shenzhen-Zhuhai Superhighway and Service Facilities dated 20 April, 1987 and its subsequent amendments dated 25 December, 1987, 30 December, 1990, 23 November, 1992, 27 October, 1994 and 3 April, 1997, together with the Articles of Association of the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited dated 6 February, 1988 and its subsequent amendment dated 31 December, 1991 (together referred to as "GS JV Contract"), the salient conditions are stipulated as follows:

i.	Joint Venture Entity	:	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (Hereinafter referred to as "GS Superhighway JV")
ii.	Party A	:	Guangdong Provincial Highway Construction Company
	Party B	:	Hopewell China Development (Superhighway) Limited
iii.	Total Investment	:	RMB12,217 million (Adjusted according to the report from Guangdong Provincial Audit Bureau)
iv.	Party B's contribution of Registered Capital	:	HK$702 million (equivalent to RMB471 million)
v.	Concession Period	:	30 years from 1 July, 1997
vi.	Profit distribution (Party B's share)	:	(a) 1st to 10th year : 50% of Distributable Profit (b) 11th to 20th year : 48% of Distributable Profit (c) 21st to 30th year : 45% of Distributable Profit

2. **PRC Legal Opinion**

The Group's PRC Legal Advisers, Haiwen & Partners, have stated in their legal opinion, *inter alia*, that:

(i) GS JV Contract has been approved by the relevant Government department and is legally binding upon the parties thereto;

(ii) All Government approvals necessary for the establishment of the GS Superhighway JV under the PRC laws have been obtained by GS Superhighway JV;

(iii) GS Superhighway JV was issued with a corporate business licence by the Industrial and Commerce Administrative Bureau of Guangdong Province on 8 November, 2001 and thus is duly and legally established. According to the corporate business licence, GS Superhighway JV's scope of business includes planning, designing, constructing and managing of GS Superhighway together with the restaurants, petrol filling stations, advertising boards, coaches/lorries stations, motor vehicles repairing stations, retail shops, etc within the boundary of GS Superhighway;

(iv) GS Superhighway JV shall enjoy, within the concession period, the land use rights of Guangzhou-Shenzhen Superhighway and its ancillary facilities;

(v) According to the approved tax documents, the existing PRC tax law and regulations, GS Superhighway JV is entitled to the following tax treatment:

Business Tax (5%)	:	Fully exempted in the 1st to 5th year of operation.
Income Tax (15%)	:	Fully exempted in the 1st to 5th year since the first profit making year; and 50% exempted in the 6th to 10th year thereafter.
Local Income Tax (3%)	:	Fully exempted in the 1st to 10th year since the first profit making year.

(vi) The first profit making year of GS Superhighway JV is 2000.

(vii) The major contracts concerning GS Superhighway JV are legally valid and binding upon the contractual parties; and

(viii) All the land title documents in respect of the parcels of land underlying GS Superhighway have been obtained by GS Superhighway JV.

3. **Valuation Assumptions**

(i) We consider the toll revenue in the "conservative growth" scenario and the operation and maintenance costs prepared by PBA appropriate, and have adopted these sets of figures in the course of our valuation;

(ii) Additional capital expenditures for road widening purpose are assumed according to the schedule as provided by the Company;

(iii) Approvals from Guangdong Provincial Government and/or other relevant authority for amendment of the GS JV Contract in respect of payment of accruing returns on investment after 1 January, 2002 is assumed to have been obtained; and

(iv) We have taken into consideration such factors as the existing conditions and concession period of the project operated by the business enterprise valued, as well as the market required return for similar enterprises in the course of our valuation, and have applied a discount rate of 11.5%, which we consider adequate and appropriate.

VALUATION CERTIFICATE

No.	Project Location	Project description	Fair Market Value of the business enterprise attributable to the Group (RMB million)
2	Guangzhou East-South-West Ring Road, Guangdong Province, The PRC	The Guangzhou East-South-West Ring Road ("Guangzhou E-S-W Ring Road") forms part of the Guangzhou Ring Road. The Ring Road runs along the eastern, southern and western fringes of the Guangzhou city. The Ring Road begins from the east near the Guangdan toll plaza of the Guangzhou-Shenzhen Superhighway, and ends at the west at the Shabei interchange with the Guangzhou Northern Ring Road and the Guangfo Expressway. The Guangzhou E-S-W Ring Road has a total length of approximately 38 km and is of a concrete-paved dual 3-lane carriageway design. It is a closed system expressway facilitated with 10 interchanges and 10 toll plazas. The design speed of Guangzhou E-S-W Ring Road is 100 km per hour. The Ring Road has been fully operational since 26 June, 2000 and its offical opening date was 1 January, 2002.	1,930

Notes:

1. **Extracts of Joint Venture Agreement**

Pursuant to the Joint Venture Contract for the Cooperative Construction, Operation and Management of the Guangzhou East-South-West Ring Road and Service Facilities dated 23 November, 1992 and its subsequent amendments dated 31 October, 1997, 1 December, 1998 and 30 July, 2001 together with the Articles of Association of the Guangzhou E-S-W Ring Road Company Limited dated 23 November, 1992 and its subsequent amendments dated 23 February, 1998 and 30 July, 2001 (together referred to as "Ring Road JV Contract"), the salient conditions are stipulated as follows:

i.	Joint Venture Entity	:	Guangzhou E-S-W Ring Road Company Limited (Hereinafter referred to as "Ring Road JV")
ii.	Party A	:	Guangzhou City Tongda Highway Company
	Party B(1)	:	Hopewell Guangzhou Ring Road Limited
	Party B(2)	:	CKI Guangzhou Ring Roads Limited
iii.	Total Investment	:	RMB4,500 million (equivalent to about USD550 million)
iv.	Party B(1)'s contribution of Registered Capital	:	USD27.5 million
v.	Concession Period	:	30 years from 1 January, 2002.

vi.	Profit distribution (Party B(1)'s share)	:	(a) 1st to 10th year : 45% of Net Cash Flow (b) 11th to 20th year : 37.5% of Net Cash Flow (c) 21st to 30th year : 32.5% of Net Cash Flow

2. **PRC Legal Opinion**

The Group's PRC Legal Advisers, Haiwen & Partners, have stated in their legal opinion, *inter alia*, that:

(i) Ring Road JV Contract has been approved by the relevant Government department and is legally binding upon the contractual parties;

(ii) All Government approvals necessary for the establishment of the Ring Road JV under the PRC laws have been obtained by Ring Road JV;

(iii) Ring Road JV was issued with a corporate business licence by the Industrial and Commerce Administrative Bureau of Guangzhou on 10 May, 2001. According to the corporate business licence, Ring Road JV's scope of business includes planning, designing, constructing and managing of Guangzhou E-S-W Ring Road together with its ancillary facilities;

(iv) Ring Road JV shall enjoy, according to laws, the land use rights of the section of Guangzhou East-South-West Ring Road in Nanhai and there is no legal impediment for Ring Road JV in obtaining the land use rights of the section of Guangzhou East-South-West Ring Road in Guangzhou;

(v) According to the approved tax documents from Guangzhou Municipal Government, Ring Road JV could enjoy the following tax treatment:

Business Tax (5%)	:	Exempted for the first 5 years of operation.
Income Tax (15%)	:	Fully exempted in the 1st to 5th year since the first profit making year; and 50% exempted in the 6th to 10th year thereafter.
Local Income Tax (3%)	:	Fully exempted in the 1st to 10th year since the first profit making year.

Pursuant to the existing PRC tax law and regulations, Ring Road JV is required to apply for an approval from the State Tax Bureau in order to be entitled to the above exemptions and reductions. Ring Road JV intends to apply for such approval.

Under the existing PRC tax law and regulations, Ring Road JV would be entitled to the following preferential tax treatment, subject to approval from the relevant government authority:

Income Tax (15%)	:	Fully exempted in the 1st to 2nd year since the first profit making year; and 50% exempted in the 3rd to 5th year thereafter.
Local Income Tax (3%)	:	Fully exempted in the 1st to 5th year since the first profit making year.

(vi) As at the year end of financial year 2002, Ring Road JV had not yet experienced its first profit making year; and

(vii) The major contracts concerning Ring Road JV are legally valid and binding upon the contractual parties.

3. **Valuation Assumptions**

(i) We consider the toll revenue in the "conservative growth" scenario and the operation and maintenance costs prepared by PBA appropriate, and have adopted these sets of figures in the course of our valuation.

(ii) In the course of our valuation, we have assumed the following tax rates as being applicable:

Business Tax (5%)	:	No exemption.
Income Tax (15%)	:	Fully exempted in the 1st to 2nd year since the first profit making year; and 50% exempted in the 3rd to 5th year thereafter.
Local Income Tax (3%)	:	Fully exempted in the 1st to 5th year since the first profit making year.

(iii) We have taken into consideration such factors as the existing conditions and concession period of the project operated by the business enterprise valued, as well as the market required return for similar enterprises in the course of our valuation, and have applied a discount rate of 11.5%, which we consider adequate and appropriate.

4. Our valuation has not taken into account the effect of a bank loan from Bank of China, Hong Kong Branch to Hopewell Guangzhou Ring Road Limited (i.e. Party B(1) in Ring Road JV Contract) as it is not a bank loan to Ring Road JV. The outstanding balance of such bank loan was HK$422,000,000 as of 30 April, 2003, scheduled to be fully repaid by 30 June, 2005.

VALUATION CERTIFICATE

Group II — Toll road project held by the Group under Construction in the PRC

No.	Project Location	Project description	Fair Market Value of the business enterprise attributable to the Group (RMB million)
3	Phase 1 of the Western Delta Route, Guangdong Province, The PRC	Phase 1 of the Western Delta Route ("Phase 1 West") forms part of the Western Delta Route, which comprises 3 phases. Phase 1 West will comprises the section between Hainan interchange of Guangzhou East-South-West Ring Road to its north in Guangzhou and Bigui Road/National Highway 105 to its south in Shunde. The proposed Phase 1 West will have a total length of approximately 14.7 km and is of an asphalt-paved dual 3-lane carriageway design. Phase 1 West will be a closed system expressway facilitated with 3 interchanges and 2 to 3 toll plazas. The design speed of Phase 1 West is 100 km per hour. Phase 1 West is currently under construction and is expected to commence its operation by mid-2004.	1,170

Notes:

1. **Proposed Terms and Arrangements of Joint Venture Agreement**

According to the proposed terms and arrangements of the Joint Venture Contract for the Cooperative Construction, Operation and Management of Phase 1 of the Western Delta Route as provided by the Company (hereinafter referred to as "Phase 1 West JV Contract"), the salient conditions are stipulated as follows:

i.	Joint Venture Entity	:	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (Hereinafter referred to as "Phase 1 West JV")
ii.	Party A	:	Guangdong Provincial Highway Construction Company
	Party B	:	Hopewell Guangzhou-Zhuhai Superhighway Development Limited
iii.	Total Investment	:	RMB1,680 million
iv.	Party B's contribution of Registered Capital	:	RMB294 million
v.	Concession Period	:	30 years from the date of the issuance of business licence.
vi.	Profit distribution (Party B's share)	:	50% of net operating income (net operating income will be determined as after providing for (among other things) operating expenses, capital expenditure, debt service obligations and employee benefits.)

2. **PRC Legal Opinion**

The Group's PRC Legal Advisers, Haiwen & Partners, have stated in their legal opinion, *inter alia*, that:

(i) Hopewell Guangzhou-Zhuhai Superhighway Development Limited has authorized Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) to process all preliminaries of Phase 1 West JV (to be established);

(ii) Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (Preparation Unit) has obtained the Planning Permit of Construction Land of 4 parcels of land for Phase 1 West, and shall be legally capable, according to laws, to apply for the land use rights of Phase 1 West;

(iii) In principle approval has been obtained from the Government for Guangdong Hopewell Guangzhou-Zhuhai Superhighway Development Limited to become Guangdong Hopewell Guangzhou-Zhuhai Superhighway Development Limited and Phase I West JV. Upon completion of the aforesaid, Phase I West JV is to invest, construct and operate Phase I West.

(iv) According to the existing PRC tax law and regulations, Phase 1 West JV, when established, shall be entitled to the following tax treatment:

Income Tax (15%)	:	Fully exempted in the 1st and 2nd year since the first profit making year; and 50% exempted in the 3rd to 5th year thereafter.
Local Income Tax (3%)	:	Fully exempted in the 1st to 5th year since the first profit making year.

3. **Valuation Assumptions**

(i) Phase I West JV shall be established and a business licence shall be obtained by Phase I West JV in the 3rd quarter of 2003;

(ii) We consider the toll revenue in the "conservative growth" scenario and the operation and maintenance costs prepared by PBA appropriate, and have adopted these sets of figures in the course of our valuation.

(iii) Additional capital expenditure for road widening purpose is assumed according to the schedule as provided by the Company;

(iv) All registered capital is assumed to be injected by Hopewell Guangzhou-Zhuhai Superhighway Development Limited by the 3rd quarter of 2004;

(v) Financing facilities of RMB1,092 million is assumed to be drawn in the 11 months being from 1 August, 2003 to 30 June, 2004, which has a term of 15 years and shall be repaid in 12 years from 1 August, 2006 to 31 July, 2018, with a grace period of 3 years;

(vi) Phase 1 West JV shall be entitled to the following tax treatment:

Business Tax (5%)	:	No exemption
Income Tax (15%)	:	Fully exempted in the 1st and 2nd year since the first profit making year; and 50% exempted in the 3rd to 5th year thereafter.
Local Income Tax (3%)	:	Fully exempted in the 1st to 5th year since the first profit making year.

(vii) We have taken into consideration such factors as the existing conditions and concession period of the project operated by the business enterprise valued, as well as the market required return for similar enterprises in the course of our valuation, and have applied a discount rate of 13.2%, which we consider adequate and appropriate.

The following is the text of three letters prepared for inclusion in this prospectus, received from Parsons Brinckerhoff, the Company's traffic consultant, in connection with the "Toll Road Traffic and Revenue Study in Pearl Rive Delta", "Operation & Maintenance (O&M) Study on toll road in Pearl River Delta" and "Toll Collection System on Toll Road in Pearl River Delta"

PB 栢誠 100 YEARS

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28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited

Dear Sirs,

TOLL ROAD TRAFFIC AND REVENUE STUDY IN PEARL RIVER DELTA

In accordance with your instructions and for Hopewell Highway Infrastructure Limited (the "Company"), Parsons Brinckerhoff (Asia) Limited (the "Consultant" or "PBA") has conducted an independent traffic and revenue study (the "Study") of the highways in Pearl River Delta area ("PRD"), Guangdong Province, the People's Republic of China ("PRC"). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic and revenue for the following toll roads are projected in an independent and professional manner:

1. GS Superhighway
2. Guangzhou E-S-W Ring Road
3. Phase 1 West

In conducting the Study, we have based our analyses on site investigation, interviews with local authorities, toll road operators, reviews of available traffic data, feasibility reports and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll roads that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The results of our analysis are presented in the "Toll Road Traffic and Revenue Study in Pearl River Delta". A brief summary of our study approaches and findings are presented below:

E1. INTRODUCTION

This report summarizes the results and findings based on the technical analyses conducted. We confirm that future traffic and revenue for the remainder of the concession periods (2003 to 2027 for GS Superhighway, 2003 to 2032 for Guangzhou E-S-W Ring Road and 2003 to 2033 for Phase 1 West which is scheduled for opening by year 2004) are projected in an independent and professional manner.

In conducting the Study, we have based our analyses on site investigation, interviews with local authorities/toll road operator, and reviews of available traffic data, feasibility reports, Origin-Destination ("O-D") surveys and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll roads that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

This is a summary of the "Toll Road Traffic and Revenue Study in Pearl River Delta" prepared by PBA. The Consultant was appointed by the Company to carry out an independent traffic and revenue forecast of the toll road summarized in the table below (the "Study Highway"):

SUMMARY OF GENERAL PROJECT DESCRIPTION

Highway Length (approximately)	Highway Classification	Highway Configuration	Highway Access Control	Highway Design Speed
GS Superhighway (122.8 km)	Expressway	6 - lane	Controlled Access	120 km/hr
Guangzhou E-S-W Ring Road (38.0 km)	Expressway	6 - lane	Controlled Access	100 km/hr
Phase 1 West (14.7 km)	Expressway	6 - lane	Controlled Access	100 km/hr

E2. OBJECTIVES AND SCOPE OF SERVICES

The technical objective of the Study is to provide the Company with an independent study on future traffic and revenue projections. The scope of work includes data inventory and collection, traffic analysis and future traffic and revenue projections. Major activities include:

- Review available planning and feasibility reports related to the traffic corridors of the study highways;
- Collect and review socio-economic data of the study region;
- Collect and analyze traffic and revenue data;
- Conduct additional traffic surveys and counts where applicable;
- Interview toll road operators, local highway bureau officials and local planning department officials;
- Formulate travel demand forecast methodology;
- Analyze possible impact of competing roads in the travel corridors under study; and
- Prepare traffic and revenue forecasts.

E3. TRAFFIC FORECASTING METHODOLOGY

The traffic forecasts are based on traditional travel demand forecast methodologies widely adopted for toll road studies and have been applied to similar toll roads in the PRC. Relevant information collected and accumulated by PBA in other projects in the PRD areas as well as other Guangdong areas in PRC have also been incorporated in this study. The traffic forecasting methodology for the Study consists of the following stages:

a) Data Inventory and Review — The key objective for this technical stage is to obtain existing available information and organize them for the next stage of work. Typical information to be inventoried includes historic highway network data, O-D data, toll road traffic and revenue data, existing and future socio-economic forecasts of the relevant region, and previous analyses and reports.

b) Define Technical Approach — The goal is to develop the most appropriate technical methodology to be used for study purposes. The determination of the types of method depends on the availability and quality of the data as well as the overall project programme.

c) Travel Demand Forecasting — Based on the information and findings from previous stages, this stage defines and analyzes the existing traffic patterns and forecasts the future travel demand based on the appropriate key traffic variables that include:

- Economic indicators and growth in travel demand
- Physical conditions of the road and its carrying capacity
- Vehicle classifications and percentage distribution
- O-D patterns by class of vehicle

To consider the uncertainty of various external factors in the future, the traffic forecasts are presented under two scenarios: the optimistic scenario and the conservative scenario.

E4. PRINCIPAL MODEL/ANALYTICAL ASSUMPTIONS

The general assumptions defined in the Study are as follows:

a) The use of "Gross Domestic Product" ("GDP") statistics as the prime indicator to determine future traffic growth of the highway under study. Past studies conducted in the study region and in other areas of PRC have indicated that growth in GDP is more compatible and correlated with the passenger and goods vehicles travels than any other factors or available parameters. Because the majority of the anticipated future travel will be associated with the movement of passenger and goods in the PRD region, GDP growth will be used as the key parameter for future forecasts.

b) O-D patterns identified from the available database are applicable to the subject analysis;

c) The most current traffic composition of existing traffic flow is assumed to be applicable to the forecasts;

d) Variations between existing and future travel behaviors, system patterns and trip making decisions are insignificant;

e) Future economic growth trends in the study region are consistent with existing regional economic policies in the PRC as well as in Guangdong Province, specifically the Tenth Five-Year Plan, the provincial development master plan and local governmental policies. The adopted conservative economic growths are given in the table below:

Annual GDP Growth (%) Assumptions (Conservative)

Area	2001-2005	2006-2010	2011-2020	2021-3030
Guangdong Province	9.0	7.50	6.25	5.68
Guangzhou	12.0	10.00	8.33	7.58
Dongguan	13.0	10.83	9.03	8.21
Shenzhen	12.0	10.00	8.33	7.58
Foshan	9.0	7.50	6.25	5.68
Zhongshan	10.5	8.75	7.29	6.63
Zhuhai	14.0	11.67	9.72	8.84

From the past Five Year Plans, such as the 9th Five-Year Plan, the planned GDP growth in PRD area was conservative and achievable. The above is therefore adopted as the conservative scenario for traffic forecasts. The optimistic growth expects higher developments in the region and is formed by adding 2% to 3% to the conservative scenario. The GDP growths of conservative scenario for years 2006 to 2010 are estimated from growths given in the Tenth Five-Year Plans with a discount of 17% growth, for years 2011 to 2020, a further discount of 17% is used, and a discount of 10% for years after 2021.

f) Technical parameters associated with the determination of facility capacity are within the practical range;

g) Technical data obtained and used for the analysis is accurate and reliable, and therefore is a good representation of the typical average condition;

h) Based on the Highway Capacity Manual and professional judgment, the estimated facility-based sectional capacity for the highways under study is:

Capacity of Study Highways

Highway	Sectional Capacity (Vehicles Per Day)
GS Superhighway	150,000 (6-lane)
	187,500 (at sections where expanded to 8-lane)[1]
Guangzhou E-S-W Ring Road	150,000 (6-lane)
Phase 1 West	150,000 (6-lane)
	187,500 (at sections where expanded to 8-lane)[2]

Note:

(1) GS Superhighway will expand to 8 lanes at sections which reach the daily sectional capacity of 150,000 vpd.

(2) Phase 1 West will expand to 8 lanes at sections which reach the daily sectional capacity of 150,000 vpd.

The above Sectional Capacities are defined as the maximum number of vehicles that can be accommodated by highway sections of facilities per day. For facilities which have more than 2 entry/exit points, such as GS Superhighway, Guangzhou E-S-W Ring Road and Phase 1 West, there are many highway sections. For these highways, the maximum traffic flows which the highways can accommodate are therefore not the same as the Sectional Capacity. This is because only the saturated sections of the highways can not accommodate further traffic demand, but the unsaturated sections can still accommodate more traffic flows before they reach the Sectional Capacity, such as the GS Superhighway. For example, although the airport section of GS Superhighway (between Hezhou interchange and Huangtian interchange) would be saturated in year 2010, it is projected that traffic flow in the northern section would still increase after year 2010.

i) Major new highway links are planned or under construction in the vicinity of the study corridors, including the following:

- Deep Bay Link and Shenzhen Western Corridor — This will provide a new boundary crossing connecting Hong Kong with Shekou in Shenzhen. This link is expected to be operational in year 2005/2006. The function of this cross boundary link is to relieve the existing high usage boundary crossings which are located in urban Shenzhen by allowing cross boundary traffic to use the new crossing in western Shenzhen.

- Guangzhou Second Ring Road — A second outer Guangzhou Ring Road is planned for opening around 2010. The proposed Guangzhou Second Ring Road will run at a radius of approximately 30-40 km outside the existing Guangzhou Ring Road with the aim of serving traffic travelling within the outer core of Guangzhou and between Guangzhou and areas adjoining Guangzhou.
- Guangzhou Southern Expressway — The expressway is planned to connect the Guangzhou E-S-W Ring Road with the strategic development area of Nansha which is planned to be developed as a major port and a high-tech centre. Also, it will connect with Guangzhu East Line leading traffic to Zhuhai. The link is expected to be in place in year 2005.
- New Guangfo Expressway — This highway is designed to relieve the congestions on the existing Guangfo Expressway. This will link up the Guangzhou E-S-W Ring Road with Foshan and is scheduled for opening by year 2004.

j) The expansion of the Guangzhou urban area to Huadu and Panyu will accelerate the urbanization process in the northern and southern parts of the city. Traffic demand generated by the city is therefore assumed to be in line with the land use developments in the regions.

k) The cross boundary traffic growth adopts similar assumptions used for traffic growth forecasts. The assumptions are similar to that adopted in the cross boundary transport studies of Hong Kong Government. These include the cross boundary traffic polices of 24-hour boundary checkpoint operations, provision of the Deep Bay Link in year 2006 and the likely relaxation of licence controls.

l) Non-toll vehicles are also considered in this study. Non-toll vehicles include officially toll exempted vehicles such as the government vehicles and toll road company cars. The proportion of non-toll vehicles is derived from the actual traffic flows.

E5. SUMMARY OF TRAFFIC PROJECTIONS

Future traffic forecast is based upon the daily average from 1 July to 30 June. The projected traffic for the Study Highways under the two study scenarios is summarized below. In addition, vehicle mix is defined for the Study Highways.

Vehicle Classification	
Class 1........................	Passenger cars/vans and motorcycles (2-axle with 2-4 wheels)
Class 2........................	Light vans/light and small goods vehicles (2-axle with 4 wheels)
Class 3........................	Small, medium and large passengers vehicles/medium goods vehicles (2-axle with 6 wheels)
Class 4........................	Extra large passenger vehicles/large goods vehicles/20 ft container truck (3-axle with 6-10 wheels)
Class 5........................	Double deck passenger vehicles/heavy goods vehicles/heavy truck & trailer/40 ft container truck (>3-axle with >10 wheels)
Non Toll	Official toll exemption

GS Superhighway

Projected Daily Traffic (in mixed vehicles)

Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-toll	Total
02-03	96,970	21,010	27,675	2,190	6,055	5,370	159,270
03-04	110,385	23,718	32,663	2,457	7,082	5,418	181,723
04-05	126,167	26,935	38,645	3,041	9,204	5,502	209,494
05-06	144,220	30,700	45,340	3,620	11,230	5,570	240,680
06-07	163,175	34,695	51,855	4,130	12,905	5,630	272,390
07-08	184,300	39,225	58,690	4,595	14,385	5,685	306,880
08-09	208,250	44,370	66,445	5,120	16,055	5,740	345,980
09-10	231,240	49,325	73,945	5,595	17,605	5,800	383,510
10-11	254,405	54,310	81,530	6,065	19,120	5,855	421,285
15-16	334,585	71,725	107,915	7,470	23,700	6,005	551,400
20-21	341,130	73,230	110,530	7,565	23,950	6,155	562,560
25-26	341,460	73,305	110,655	7,570	23,965	6,310	563,265
26-27	341,465	73,310	110,655	7,570	23,965	6,345	563,310

Note:

1) The forecasts above have assumed the facility will expand to 8 lanes at sections before it reaches the sectional capacity of 150,000 vehicles.
2) Sectional capacity of 187,500 vehicles is adopted for the expanded sections.

GS Superhighway

Projected Daily Traffic (in mixed vehicles)

Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-toll	Total
02-03	96,970	21,010	27,675	2,190	6,055	5,370	159,270
03-04	106,757	22,937	31,589	2,382	6,878	5,413	175,956
04-05	120,811	25,793	37,006	2,921	8,845	5,480	200,856
05-06	136,825	29,125	43,015	3,450	10,695	5,540	228,650
06-07	153,355	32,610	48,735	3,890	12,170	5,580	256,340
07-08	171,600	36,530	54,645	4,295	13,445	5,620	286,135
08-09	192,110	40,930	61,290	4,740	14,860	5,660	319,590
09-10	211,365	45,085	67,590	5,130	16,150	5,705	351,025
10-11	230,435	49,195	73,845	5,510	17,390	5,745	382,120
15-16	289,940	62,150	93,510	6,595	20,860	5,830	478,885
20-21	294,265	63,360	95,275	6,680	21,135	5,905	486,620
25-26	296,355	64,120	95,830	6,680	21,140	5,980	490,105
26-27	296,775	64,270	95,940	6,680	21,140	6,000	490,805

Note:

1) The forecasts above have assumed the facility will expand to 8 lanes at sections before it reaches the sectional capacity of 150,000 vehicles.
2) Sectional capacity of 187,500 vehicles is adopted for the expanded sections.

Guangzhou E-S-W Ring Road

Projected Daily Traffic (in mixed vehicles)

Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-toll	Total
02-03	17,645	6,075	10,890	1,385	2,915	2,025	40,935
03-04	21,775	7,495	13,425	1,750	3,680	2,050	50,175
04-05	28,160	9,685	17,360	2,300	4,835	2,075	64,415
05-06	34,285	11,815	21,215	2,860	6,020	2,100	78,295
06-07	38,120	13,095	23,400	3,295	6,820	2,125	86,855
07-08	41,785	14,340	25,630	3,710	7,675	2,145	95,285
08-09	45,810	15,710	28,085	4,185	8,645	2,165	104,600
09-10	50,225	17,205	30,775	4,720	9,730	2,185	114,840
10-11	53,060	18,165	32,490	5,320	10,960	2,210	122,205
15-16	76,815	26,190	46,910	8,885	18,160	2,265	179,225
20-21	105,815	36,000	64,600	14,145	28,745	2,320	251,625
25-26	133,130	45,215	81,210	20,585	41,775	2,380	324,295
30-31	167,580	56,810	102,140	29,960	60,725	2,440	419,655
31-32	175,485	59,470	106,940	32,300	65,445	2,450	442,090

Guangzhou E-S-W Ring Road

Projected Daily Traffic (in mixed vehicles)

Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-toll	Total
02-03	17,645	6,075	10,890	1,385	2,915	2,025	40,935
03-04	21,425	7,370	13,210	1,720	3,620	2,045	49,390
04-05	27,390	9,425	16,890	2,240	4,705	2,065	62,715
05-06	33,030	11,385	20,440	2,750	5,800	2,085	75,490
06-07	36,050	12,385	22,130	3,115	6,455	2,100	82,235
07-08	38,795	13,315	23,800	3,450	7,135	2,120	88,615
08-09	41,755	14,320	25,605	3,820	7,890	2,135	95,525
09-10	44,945	15,400	27,545	4,235	8,730	2,150	103,005
10-11	46,585	15,950	28,530	4,685	9,655	2,165	107,570
15-16	62,915	21,475	38,450	7,315	15,035	2,195	147,385
20-21	81,150	27,615	49,500	10,900	22,390	2,225	193,780
25-26	102,040	34,665	62,190	15,860	32,525	2,255	249,535
30-31	128,370	43,530	78,170	23,080	47,265	2,285	322,700
31-32	134,410	45,560	81,830	24,875	50,940	2,290	339,905

Phase 1 West

Projected Daily Traffic (in mixed vehicles)

Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-toll	Total
04-05	29,654	13,781	4,055	1,463	695	154	49,803
05-06	33,430	15,678	4,623	1,668	793	162	56,354
06-07	37,699	17,836	5,270	1,902	904	170	63,781
07-08	42,524	20,292	6,008	2,168	1,030	179	72,201
08-09	47,558	22,883	6,789	2,471	1,175	187	81,063
09-10	53,197	25,806	7,672	2,817	1,339	197	91,027
10-11	58,987	28,844	8,592	3,155	1,500	205	101,283
15-16	97,255	49,430	14,872	5,561	2,643	249	170,010
20-21	104,872	55,594	16,862	6,729	3,186	258	187,500
25-26	104,857	55,604	16,865	6,730	3,187	258	187,500
30-31	104,843	55,613	16,867	6,731	3,187	258	187,500
32-33	104,838	55,617	16,868	6,732	3,187	258	187,500

Note:

1) The forecasts above have assumed the facility will expand to 8 lanes at sections before it reaches the sectional capacity of 150,000 vehicles.
2) Sectional capacity of 187,500 vehicles is adopted for the expanded sections.

Phase 1 West

Projected Daily Traffic (in mixed vehicles)

Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-toll	Total
04-05	27,561	12,828	3,767	1,322	626	150	46,254
05-06	30,525	14,338	4,218	1,481	701	156	51,418
06-07	33,815	16,025	4,725	1,658	785	162	57,171
07-08	37,470	17,911	5,292	1,857	879	169	63,577
08-09	41,157	19,840	5,874	2,080	985	175	70,111
09-10	45,215	21,977	6,520	2,330	1,103	182	77,327
10-11	49,232	24,125	7,172	2,563	1,213	188	84,493
15-16	74,077	37,764	11,340	4,127	1,954	218	129,480
20-21	101,756	53,921	16,354	6,526	3,090	250	181,897
25-26	104,868	55,596	16,862	6,729	3,186	258	187,500
30-31	104,854	55,606	16,865	6,730	3,187	258	187,500
32-33	104,848	55,610	16,866	6,731	3,187	258	187,500

Note:

1) The forecasts above have assumed the facility will expand to 8 lanes at sections before it reaches the sectional capacity of 150,000 vehicles.
2) Sectional capacity of 187,500 vehicles is adopted for the expanded sections.

E6. TOLL RATE STRUCTURE

For expressways with Closed System ("Closed System"), the toll is calculated by the toll rate times toll multipliers for different vehicle class times traveling distance. The existing toll multipliers for GS Superhighway and Guangzhou E-S-W Ring Road are 1, 2, 3, 4 and 5 for vehicles classes 1 to 5 respectively. Based on a recent proposal of the Guangdong Provincial Government regarding the implementation of uniform toll rate multiplier for expressways throughout Guangdong Province, all new toll expressways are required to adopt new toll multiplier of 1, 1.5, 2, 3 and 4 from the beginning of their operation, including Phase 1 West. According to a recent notice from the Guangdong Provincial Government, the existing expressways can continuously apply their currently approved toll for toll collection and are no longer required to apply the new toll multipliers. Therefore, the existing toll multiples of 1, 2, 3, 4 and 5 are applied to GS Superhighway and Guangzhou E-S-W Ring Road for the following revenue forecast.

In comparison with other toll roads in Southern China, the current toll rate structure for the Company's toll roads seems to be reasonable and within the average range.

With reference to the toll rates increase for various toll roads in the past few years in Guangdong Province and the expected economic growth, we have generally adopted future toll rate increases of 15% at every five-year interval, starting from year 2007 for highways in PRD region. This increment represents an increase of about 2.8% per annum and is reasonable when compared to the average economic growth of Guangzhou, Dongguan, Shenzhen, Foshan, Zhongshan and Zhuhai of about 10% per annum.

On the basis of the above general assumption, we have also taken into consideration the government authorities who approve toll rate increases and factors which they base their decisions on, such as the size of the project, debt repayment, terms of debt, traffic flow, concession period and the service areas of the expressway. Based on these factors, we further assume that future toll rate increases for GS Superhighway will be 15% every ten-year interval and Guangzhou E-S-W Ring Road and Phase 1 West will be 15% every five-year interval. A summary of the current and projected toll rate structure by vehicle classification is presented below:

Existing and Future Toll Rates

Toll Rates Table of GS Superhighway

		Year of Toll Increase		
Vehicle Classification	**Currency**	**02-03**	**07-08**	**17-18**
Class 1	RMB/km	0.6	0.7	0.8
Class 2	RMB/km	1.2	1.4	1.6
Class 3	RMB/km	1.8	2.1	2.4
Class 4	RMB/km	2.4	2.8	3.2
Class 5	RMB/km	3.0	3.5	4.0

Toll Rates Table of Guangzhou E-S-W Ring Road

		Year of Toll Increase					
Vehicle Classification	Currency	02-03	07-08	12-13	17-18	22-23	27-28
Class 1	RMB/km	0.6	0.7	0.8	0.9	1.0	1.2
Class 2	RMB/km	1.2	1.4	1.6	1.8	2.0	2.4
Class 3	RMB/km	1.8	2.1	2.4	2.7	3.0	3.6
Class 4	RMB/km	2.4	2.8	3.2	3.6	4.0	4.8
Class 5	RMB/km	3.0	3.5	4.0	4.5	5.0	6.0

Toll Rates Table of Phase 1 West

		Year of Toll Increase						
Vehicle Classification	Currency	04-05*	07-08	12-13	17-18	22-23	27-28	32-33
Class 1	RMB/km	0.6	0.7	0.8	0.9	1.0	1.2	1.4
Class 2	RMB/km	0.9	1.0	1.2	1.4	1.6	1.8	2.1
Class 3	RMB/km	1.2	1.4	1.6	1.8	2.1	2.4	2.8
Class 4	RMB/km	1.8	2.1	2.4	2.7	3.1	3.6	4.2
Class 5	RMB/km	2.4	2.8	3.2	3.7	4.2	4.8	5.6

* New toll multipliers of 1, 1.5, 2, 3 and 4 apply.

E7. ESTIMATION OF REVENUE

A summary of the revenue estimations for highways under study is presented under two scenarios in the following tables.

GS Superhighway

Projected Annual Revenue of HK & PRC Vehicles (in million RMB)

Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
02-03	758	307	762	67	208	2,103
03-04	861	346	904	77	245	2,433
04-05	951	380	1,040	95	320	2,786
05-06	1,080	431	1,217	115	398	3,241
06-07	1,212	484	1,388	132	462	3,678
07-08	1,558	625	1,797	168	592	4,740
08-09	1,743	703	2,024	187	659	5,317
09-10	1,853	752	2,167	197	697	5,666
10-11	1,989	811	2,341	210	745	6,095
15-16	2,364	983	2,847	240	869	7,304
20-21	2,773	1,154	3,354	280	1,009	8,570
25-26	2,776	1,155	3,357	280	1,009	8,578
26-27	2,776	1,155	3,357	280	1,009	8,578

Note: Toll rates are based on toll multipliers of 1, 2, 3, 4 and 5.
Toll increase by 15% assumed in year 07-08 and thereafter every 10 years

GS Superhighway

Projected Annual Revenue of HK & PRC Vehicles (in million RMB)

Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
02-03	758	307	762	67	208	2,103
03-04	833	335	875	74	238	2,354
04-05	910	364	996	91	307	2,669
05-06	1,024	409	1,155	110	379	3,077
06-07	1,139	455	1,305	124	436	3,459
07-08	1,450	582	1,673	157	553	4,417
08-09	1,608	649	1,868	173	610	4,908
09-10	1,712	694	2,002	183	647	5,237
10-11	1,835	748	2,159	194	689	5,626
15-16	2,149	894	2,588	223	803	6,656
20-21	2,508	1,048	3,032	259	935	7,782
25-26	2,526	1,060	3,050	259	936	7,830
26-27	2,529	1,063	3,053	259	936	7,840

Note: Toll rates are based on toll multipliers of 1, 2, 3, 4 and 5.
Toll increase by 15% assumed in year 07-08 and thereafter every 10 years

Guangzhou E-S-W Ring Road

Projected Annual Revenue (in million RMB)

Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
02-03	47	29	75	15	48	213
03-04	61	38	98	17	57	271
04-05	78	49	127	23	74	351
05-06	95	59	155	29	93	430
06-07	105	65	169	32	102	474
07-08	133	82	213	41	132	601
08-09	145	90	233	46	149	664
09-10	160	99	255	52	167	733
10-11	169	104	270	59	188	790
15-16	282	173	448	113	356	1,373
20-21	447	274	713	207	644	2,285
25-26	647	396	1,033	346	1,073	3,495
30-31	938	572	1,499	579	1,789	5,376
31-32	982	599	1,571	624	1,926	5,702

Note: Toll rates are based on toll multipliers of 1, 2, 3, 4 and 5.
Toll increase by 15% assumed in year 07-08 and thereafter every 5 years

Guangzhou E-S-W Ring Road

Projected Annual Revenue (in million RMB)

Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
02-03	47	29	75	15	48	213
03-04	60	37	97	17	56	266
04-05	76	48	123	22	72	341
05-06	92	57	149	28	89	415
06-07	99	62	160	30	97	448
07-08	123	76	198	38	123	559
08-09	133	82	213	42	136	606
09-10	143	88	229	47	150	657
10-11	148	91	237	52	166	694
15-16	230	142	367	93	298	1,130
20-21	342	210	544	159	512	1,768
25-26	495	303	787	266	853	2,703
30-31	716	437	1,138	445	1,421	4,156
31-32	749	457	1,192	479	1,531	4,408

Note: Toll rates are based on toll multipliers of 1, 2, 3, 4 and 5.
Toll increase by 15% assumed in year 07-08 and thereafter every 5 years

Phase 1 West

Projected Annual Revenue (in million RMB)

Optimistic Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
04-05	108	75	30	13	9	236
05-06	122	86	34	15	10	267
06-07	138	98	38	17	12	303
07-08	178	128	50	23	15	395
08-09	200	144	57	26	17	444
09-10	223	162	64	30	20	499
10-11	248	182	72	33	22	556
15-16	469	358	144	67	45	1,083
20-21	582	463	187	93	62	1,388
25-26	669	532	215	107	71	1,596
30-31	770	612	248	124	82	1,835
32-33	885	704	285	142	94	2,111

Note: Toll rates are based on the new toll multipliers of 1, 1.5, 2, 3, and 4 at the opening year.
Toll increase by 15% assumed in year 07-08 and thereafter every 5 years

Phase 1 West

Projected Annual Revenue (in million RMB)

Conservative Scenario

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
04-05	101	70	27	12	8	218
05-06	111	78	31	14	9	243
06-07	123	88	34	15	10	271
07-08	157	113	44	19	13	347
08-09	173	125	49	22	14	383
09-10	190	138	55	24	16	424
10-11	207	152	60	27	18	463
15-16	358	273	109	50	33	823
20-21	565	449	182	91	60	1,346
25-26	669	532	215	107	71	1,596
30-31	770	612	248	124	82	1,835
32-33	885	704	285	142	94	2,110

Note: Toll rates are based on the new toll multipliers of 1, 1.5, 2, 3, and 4 in the opening year. Toll increase by 15% assumed in year 07-08 and thereafter every 5 years

E8. SENSITIVITY

The Guangdong Provincial Government is considering the feasibility of building a new highway along the eastern coastal line of the PRD to provide a connection between the Shenzhen Western Corridor and the Guangzhou Second Ring Road. This link is included in the Highway Development Programme of the Tenth Five-Year Plan of Guangdong Province. Such link however is only in its preliminary stage of planning with no construction plan. In addition, the final routing has not been approved by the Guangdong Provincial Government. Therefore, this highway has not been considered in the base case forecasts. However, a sensitivity analysis by assuming the highway to be in place in 2010 was conducted in order to analyze the impact to GS Superhighway. With respect to the study components, such link, if in place, would share about 22% traffic of the congested sections on the GS Superhighway in year 2010-2011, and traffic flow on the GS superhighway would decrease by about 7% (after offsetting the growth of corridor demand) compared to year 2009-2010 total flows. The decrease of about 7% in traffic flow in year 2010-2011 would translate into an approximately 4% decrease in toll receipts for that year relative to the previous year. After year 2012, traffic flows on GS Superhighway would continue to grow, especially at the previously congested sections which would be relieved by such new link. The overall impact of this 4% decrease in toll receipts for 2010-2011 due to this new highway will translate into a 2% decrease or RMB147,343 million in toll receipts for the entire projection period compared to the scenarios without this new highway.

E9. CONCLUSION

The Consultant concluded that the traffic forecasts developed by the above methodology and on the above assumptions are consistent with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the "Toll Road Traffic and Revenue Study in Pearl River Delta".

Yours sincerely,
For and on behalf of
PARSONS BRINCKERHOFF (ASIA) LTD.

Dave Wong	**Richard Yau**
Director	*Project Manager*

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28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited

Dear Sirs,

OPERATION & MAINTENANCE (O&M) STUDY ON TOLL ROAD IN PEARL RIVER DELTA

In accordance with your instructions and for Hopewell Highway Infrastructure Limited (the "Company"), Parsons Brinckerhoff (Asia) Limited (the Consultant or PBA) has conducted an independent assessment on the operation and maintenance (O&M) study (the "Study") of the highways in Pearl River Delta area ("PRD"), Guangdong Province, the People's Republic of China ("PRC"). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future operation and maintenance for the following toll roads are projected in an independent and professional manner:

1. GS Superhighway
2. Guangzhou E-S-W Ring Road
3. Phase 1 West

In conducting the Study, we have based our analyses on brief visual assessment on selected portions and elements of the toll roads; meetings with construction and operation authorities and site staff available at the time of the site visits; reviews of available feasibility reports and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll road that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The results of our analysis are presented in the "Operation & Maintenance (O&M) Study on Toll Road in Pearl River Delta". A brief summary of our study approaches and findings are presented below:

E1. INTRODUCTION

Parsons Brinckerhoff (Asia) Limited was commissioned by Hopewell Highway infrastructure Limited to conduct an independent assessment on the operation and maintenance programs of its three toll roads in Pearl River Delta in Guangdong Province, the People's Republic of China. This assessment consists of:

- Evaluate the road conditions;
- Review and comment on the existing Operation and Maintenance (O&M) Program, with respect to their adequacy and efficiency (cost); and
- Estimate the future operation and maintenance costs for the remainder of the concession periods of the subject facilities.

In accordance with the study objectives, scope and schedule, PBA conducted a site visit from 19 November, 2002 to 29 November, 2002 to perform: (a) brief visual assessment on selected portions and elements of the toll roads; (b) meetings with construction and operation authorities and site staff available at the time of the site visits; and (c) discussion with representatives from Hopewell Highway Infrastructure Limited.

Please note that the scope of this study, however, is not to conduct a detailed inspection or a rigorous engineering analysis of the highway, but rather, to provide a general overview of the project. The report is intended to give a review on the highway standard and the Operation and Maintenance aspects in order that the risk, attributable cost and financial viability of the project can be assessed. On this assignment, PBA had exercised the utmost professionalism, care and diligence, and the approach taken is consistent with the industrial practices for China toll road investment of this nature. The results of the assessment are well documented in report titled "Operations and Maintenance (O&M) Study on Toll Road in Pearl River Delta".

E2. PROJECT DESCRIPTION

E2.1 The Guangzhou-Shenzhen Superhighway (GS Superhighway)

GS Superhighway (122.8km) — The entire GS Superhighway, consisting of 6 lanes, was open to traffic on 18th of July 1994. The expressway is a major route running from Guangzhou to Shenzhen. Along its route there are many satellite cities and towns nearby. The largest is Dongguan, a rapidly growing industrial and agricultural based city. There are 18 toll plazas on the expressway providing access to the Guangzhou Ring Road in the north, the nearby cities and towns. It is also connected to other major roads such as Guangzhou Second Northern Ring Road, Jihe Expressway and Dongguan Da Dao. Besides serving the corridor communities, the expressway also provides a direct linkage to the Shenzhen Baoan Airport in the south and the Humen Bridge across the Pearl River at the middle of its route. In addition, the expressway has provided a direct connection between the Capital of Guangdong and the prosperous international city, Hong Kong.

E2.2 Guangzhou E-S-W Ring Road

Guangzhou E-S-W Ring Road (38km) — The ring road consists of 6 lanes. The entire Guangzhou E-S-W Ring Road was open to traffic on 26th of June, 2000. There are 10 toll plazas and 10 interchanges on the Guangzhou E-S-W Ring Road, each providing access to some major expressways, such as Guangfo Expressway, Phase 1 West and Guangzhou Southern Expressway.

The Guangzhou E-S-W Ring Road corridor covers the eastern, southern and western fringes of Guangzhou city. It is connected with the existing 22 km long Guangzhou Northern Ring Road from Guangdan interchange to Shabei interchange. It is part of Guangzhou Ring Road that runs through interchanges at Huangcun, Dongpu, Xinzhou, Luntou, Tuhua, Sanjiao, Hainan, Zengjiao, Huangqi and Xunfengzhou. The Guangzhou E-S-W Ring Road connects with major highways including the GS Superhighway, the Guangfo Highway and the upcoming Phase 1 West.

E2.3 Phase 1 West

Phase 1 West (14.7 km) — The GSZ West Superhighway consisting of 6 lanes connects the cities of Guangzhou, Nanhai, Shunde and Panyu. Phase 1 West is between Guangzhou E-S-W Ring Road and Bigui Road and will complete in the middle of year 2004.

Phase 1 West will provide important and convenient north-south access on the west side of the Pearl River Delta region.

E3. TECHNICAL FINDINGS AND RECOMMENDATIONS

In general, the design of the toll roads including geometry, pavements, embankment and drainage systems and highway structures have followed the PRC highway standards published by the Ministry of Communications as well as the local practices. The designs appear to be compatible with normally acceptable PRC engineering design standards.

Pavements, embankments, toll plazas and road furniture are generally in good conditions. No major works or urgent repairs are anticipated, other than minor repair and routine maintenance. The road drainage system and the bridge structures are generally in fair to good conditions and no conditions that might lead to major failures have been found in the selected portion of the highway assessed. Minor defects observed during the site visit are in pavement damages such as crack and uneven surfaces. They are generally expected for this type of highway due to high traffic flow and overweighed vehicles and can be addressed by normal repair and routine maintenance.

Pavement

- The pavement conditions of both the GS Superhighway and Guangzhou E-S-W Ring Road are good. Minor uneven riding surfaces at the intersections of bridges abutment and roadway were also noticed on the Guangzhou E-S-W Ring Road and GS Superhighway. This does not affect the normal operation of the expressways, but frequent inspections should be carried out to monitor the rate of deterioration.
- The Guangzhou E-S-W Ring Road is relatively new, both of the concrete and bituminous road surfaces are in good conditions, except a small section bituminous pavement damaged due to oil leakage from the vehicles at Yazhisha Bridge, where small-sized re-paving is necessary.

Drainage

- Gravity drainage system is used for all the three highways. Rainfall in the study areas are reportedly low, few drainage channels have been designed. This is consistent with the local practice. No drainage problems have been observed.

Expansion Joints

- Expansion joints along the GS Superhighway are in good conditions. A few of the old rubber type of expansion joints were damaged and needed to be replaced. The replacement works are being carried out as a part of the maintenance programme.
- Condition of expansion joints of Guangzhou E-S-W Ring Road is good with no major defects found. Routine inspection and regular cleaning are necessary to maintain the integrity of the element and monitor the rate of deterioration so that serious defects can be quickly rectified to ensure the long-term integrity of the bridge structure.

Bridges

- Bridges are generally in good to fair conditions with no major defects found during the site visit, most of the bridges are precast prestressed T-Beam or precast prestressed hollow slab superstructure. The beams and slabs of the bridges inspected from under deck appear to be in good condition.
- At the long-span section of Dong Pu Bridge at Guangzhou E-S-W Ring Road, light vibrations of the bridge deck were experienced with passing heavy loaded traffic. No abnormal sound of the bearings was heard. The vibration could be caused by the deflection of the structure. Regular monitoring of the long span bridges is recommended to ensure the structural integrity of the structures.

- Deck vibration with the passing traffic is observed in a few of the large bridges in Guangzhou E-S-W Ring Road. Close monitoring on the bridge bearings is highly recommended. Repair or replacement of the bridge bearing should be carried out when necessary. The condition is not serious and does not warrant immediate attention, but routine inspection is necessary to monitor the rate of deterioration so that serious defects can be quickly rectified to ensure the long-term integrity of the bridge structure.
- No major damage has been found on the substructure of the structures inspected. Minor defect such as exposed reinforcement on the pier cap due to insufficient concrete cover has been observed. Steel piles at Dongzhou Bridge of the GS Superhighway has deteriorated. Plan for restoration has been formed as part of the maintenance programme. Since many bridges have navigational channels underneath, collision protections have been provided. It is recommended that extra large bridge should be equipped with settlement monitoring points to ensure the overall stability of the structure. It was noted that operators were installing the equipment by the time of our site visit for settlement monitoring on major bridges.

Embankment

- Embankment generally is in good conditions. No major defects have been found. Routine inspection and maintenance for the embankments are required to ensure the stability of the roadway structure.

Road Furniture

- Road furniture is generally in good conditions. Some minor defects were observed on the roadside facilities along the two operating highways. There were some damages on the roadside barrier and property fences on the GS Superhighway. These damages should be repaired as part of the Routine and Minor Repair.

Tunnel

- The Hubeishan Tunnel is on GS Superhighway. It is in good to fair condition. The tunnel surface has been repaired. Tiling work of the southbound tunnel wall was being carried out at the time of site inspection. Installation of PVC drainage pipe is in progress. PVC drainage pipe should be diverted properly to the tunnel drainage system of the tunnel.

E4. OPERATION AND MAINTENANCE (O&M) COST

The total annual O&M cost includes costs for minor repair/maintenance as well as medium and major repairs. Minor repairs and maintenance refers to the upkeep/preventative actions and minor repairs required for normal operation of the highway to be maintained. Medium to major repairs are defined as the required periodical repairs in order to reinstate the original conditions of the highway after long-term wear and tear.

The purpose of this study is to review the existing O&M program and to form the basis of determining the future maintenance needs in terms of cost and effort. Emphasis has been placed on major engineering elements and facility structures with the goal of matching the facility needs with the O&M program.

Based on our review of existing O&M programs and on-site visit, the O&M expenses are reasonable, as the expenditures are consistent with the actual project work. GS Superhighway and Guangzhou E-S-W Ring Road have both set up their own O&M management structure, having established sound O&M management team that adheres to strict O&M planning, quality and expense control. For medium to large O&M, an annual budget planning would be required, so that quality and expense issues can be carefully quantified, analysed and addressed.

In addition to project data review and on-site visit, we have also met with management from the project company, which enabled us to conduct study for future O&M work required of the project. The scope of the study covers only the O&M for the road itself, not toll stations facilities, building facilities and electrical installations.

E4.1 GS Superhighway

Pavement surface repairing is the major maintenance work in this Project. It is expected to have two large scale repaving works within the concession period, the first time will be repaved in three years started in 2002 and will complete in 2004 . They will be using new water proofing technique and high standard asphalt mix have been considered for the treatment of pavement surface that can prolong the life cycle of the pavement usage to 15 years. However, to ensure travel safety, recapping would be necessary in order to avoid further deterioration of the asphalt pavement surface since it would be gradually damaged after 7 or 8 years. Hence, the following approach should be considered: recapping the road surface after 7 or 8 years of usage, say, between 2011 and 2014, repaving the road surface after 15 years of usage, say, between 2021 and 2023, and the second large scale repaving again after 2024. Other major repair works will be the maintenance of embankment and safety facilities (guard fence, division bar, anti-dazzling board, outline reflecting mark, traffic sign, road marking, central divide, milestone, and hectometre stake, etc.) and also upgrade of bridges as follows:

- Pavement marking and safety facilities: repair the existing pavement marking, repaint pavement marking for those sections which required medium to large scale of repaving works. The safety facilities are considered to be replaced in 2011, and 2012. The safety facilities, if using high intensity steel, has 15 year life cycle.

The table below summarizes the total O&M cost for the remaining concession period (Unit in Million RMB).

2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
207.8	180.5	45.0	44.1	42.3	41.1	42.7	41.1	61.2	101.4
2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
62.1	64.7	44.6	40.0	44.2	45.3	40.3	41.4	140.8	138.6
2023	**2024**	**2025**	**2026**	**2027**					
141.3	44.7	38.8	43.6	44.1					

Notes:

(1) All costs estimated refer to the current price in PRC.

(2) Costs include maintenance for anticipated expanded road sections.

E4.2 Guangzhou E-S-W Ring Road

This project mainly considers the maintenance of the pavement, road furniture and bridges. For pavement maintenance cost, the estimation has to consider both the existing condition of the highway and the traffic volume. The growth rate of pavement maintenance cost will be estimated in different stages. For the first 5 years, the growth rate of maintenance cost is 3%; for the next 6 to 10 years, it would be 4%; for the following 11 to 16 years, it would be 5%; and the rest would rise to 6%.

For the large-scale pavement maintenance works, the cost estimation has to include a large scale repaving works for 3 years, from 2015 to 2017, and 2030 to 2032.

For pavement marking, the cost has to include the repainting of the pavement marking every 3 years.

For safety facilities, the growth rate of maintenance cost for safety facilities along the highway is assumed 3% per year. It is also considered to repair and replace the facilities for 3 years during the second period of large-scale pavement maintenance.

The table below summarizes the total O&M cost for the concession period (Unit in Million RMB)

2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
6.8	7.0	7.2	7.4	9.0	9.1	8.2	8.5	10.9	8.8
2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
11.0	11.1	32.1	34.3	34.0	12.2	11.2	11.3	10.8	10.7
2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
10.6	10.8	12.2	12.4	12.0	11.9	11.8	40.3	41.6	42.3

Notes:

(1) All costs estimated refer to the current price in PRC.

E4.3 Phase 1 West

Progress

This highway is scheduled to be operational by June of 2004. The construction progress payment spent up to November 2002 was 36.64% of total. The progress diagram indicates that the construction works have been progressed well in accordance with the construction contracts with no significant delay. From engineering point of view, the foundation on the soft soil would be the critical factors, which may affect the construction works. If the foundation could reach the design standard, the construction work in later stages should be smooth. In addition, the contractors are all well qualified and have construction experiences of similar projects.

Construction Cost

Up to November 2002, there was no significant change in costs and contract variations, and the costs in previous stages were under control, and construction payments are managed in an effective way. In view of the stability of the cost of the construction materials, there should be no high risk in the overall construction costs.

Maintenance

The length of Phase I is 14.7 kilometres, it is estimated that the operation and maintenance costs will be as follows.

For the large-scale pavement maintenance works, the cost estimation has to include a large scale repaving works in 2020.

The table below summarizes the total O&M cost for the concession period (Unit in Million RMB).

2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
4.3	4.3	4.4	5.3	5.3	4.8	4.4	7.7	4.9	5.8
2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
5.7	7.5	5.8	5.7	9.1	25.1	5.0	5.2	5.2	7.4
2025	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	
5.6	5.2	5.3	10.6	6.0	5.0	5.5	6.3	4.3	

Notes:

(1) All costs estimated refer to the current price in PRC.

(2) Costs include maintenance for anticipated expanded road sections.

E9. CONCLUSION

The Consultant concluded that the assessment on the operation and maintenance are consistent with common professional practice and meets the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the "Operation & Maintenance (O&M) Study on Toll Road in Pearl River Delta" — Part 1.

Yours sincerely,
For and on behalf of
PARSONS BRINCKERHOFF (ASIA) LTD.

Dave Wong
Director

Richard Yau
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28 July, 2003

The Directors
Hopewell Highway Infrastructure Limited

Dear Sirs,

**TOLL COLLECTION SYSTEM ON TOLL ROAD
IN PEARL RIVER DELTA**

In accordance with your instructions and for Hopewell Highway Infrastructure Limited (the "Company"), Parsons Brinckerhoff (Asia) Limited (the Consultant or PBA) has conducted an independent system review study (the "Study") of the highways in Pearl River Delta area ("PRD"), Guangdong Province, the People's Republic of China ("PRC"). This report summarizes the results and findings based on the technical review and analyses conducted on the following highways:

1. GS Superhighway
2. Guangzhou E-S-W Ring Road
3. Phase 1 West

In conducting the Study, we have based our analyses on meetings with operation authorities and site staff available at the time of the site visits; reviews of available system design reports and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll road that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The toll system review would highlight the key system features, and the operating conditions as identified from the document review and site visits to the particular toll roads. For the exact operational philosophy of involved toll collection systems, it is suggested to refer to the operation & maintenance manuals.

The results of our analysis are presented in the "Operation & Maintenance (O&M) Study on Toll Road in Pearl River Delta" — Part 2. A brief summary of our study approaches and findings are presented below:

E1. INTRODUCTION

Parsons Brinckerhoff (Asia) Ltd. was appointed by Hopewell Highway Infrastructure Limited to carry out an independent system review of the toll collection systems that are currently operated by the following toll roads.

- GS Superhighway
- Guangzhou E-S-W Ring Road
- Phase 1 West

An executive summary of the findings of the report "Toll Collection System in Pearl River Delta" is set out as follows:

The objective of the system review is:

- To review the current toll collection systems through discussions with the respective toll road operators and by studying the available documentation and conducting site inspection.
- To study the system configuration and assess its effectiveness so as to detect and minimize fraud and the pilfering of toll charges.
- To identify areas to be further considered by the toll road operators.

E2. GENERAL OBSERVATION

E2.1 GS Superhighway

- The current system is a classic closed toll collection system with manual toll collection and using a simple IC card (northbound after upgraded), magnetic card (southbound) based ticketing system. A video surveillance system is installed to allow the supervisory staff to observe the toll lane operator at work through a CCTV monitor in the control room and to record the toll lane incidents on 24 hour basis for auditing or case handling. Two-way communication between the toll lane operator and the supervisor is possible through an intercom system.
- A record of all toll transaction, including toll exempt vehicles, is logged in the computer system which issues the user with a receipt for the toll paid.
- For transaction involving toll exempt vehicles, toll operator must get prior approval from supervisor in the control room of Toll Supervisory Building ("TSB") before such vehicles pass through the toll booth. The whole process will be recorded for regular checking.
- Cash handling process in TSB cashier room and management & operation center ("MOC") is recorded by CCTV in order to avoid leakage.
- The computer system would record every toll transaction which would be used to check the cash collection by the supervisor and staff in MOC during validation.
- The practice of current toll collection activities appears reasonably effective especially with the use of the video surveillance system.
- The toll lane CCTV system in each toll lane, toll plaza and exit toll booth allow supervisor to visualize the image of vehicles in toll lane and the entered classification data on computer screen simultaneously, is installed in all toll stations.
- Tolls are charged in accordance with the different vehicle classifications and distance traveled.
- There are also a number of inspectors who carry out regular checks on the toll collection process to ensure the integrity of the toll collection activities. Such inspectors will strictly check according to the internal audit process.
- Based on the documents reviewed and observation made at the time of site inspection, the system is reasonably secure and the operating and management structure is generally capable of detecting and eliminating attempts by individuals to defraud the system.

E2.2 Guangzhou E-S-W Ring Road

- The current system is a classic closed toll collection system with manual toll collection and using a simple IC card based ticketing system. A video surveillance system is installed to allow the supervisory staff to observe the toll lane operator at work on a CCTV monitor in the control room. Two-way communication between the toll lane operator and the supervisor is possible through an intercom system.
- A record of all toll transaction, including exempt vehicles, is logged in the computer system which issues the user with a receipt for the toll paid.
- For transaction involving toll exempt vehicles, toll operator must get prior approval from supervisor in the control room of the Toll Supervisory Building ("TSB") before such vehicles pass through the toll booth. The whole process will be recorded for regular checking.
- Cash handling process in TSB cashier room and management & operation center ("MOC") is recorded by CCTV in each toll lane, toll plaza and exit toll booth in order to avoid leakage.
- The computer system would record every toll transaction which would be used to check the cash collection by the supervisor and staff in MOC during validation.
- The practice of current toll collection activities appears reasonably effective especially with the use of the video surveillance system.
- Tolls are charged in accordance with the different vehicle classifications and distance traveled.
- There are also a number of inspectors who carry out regular checks on the toll collection process to ensure the integrity of the toll collection activities. Such inspectors will strictly check according to the internal audit process.
- Based on the documents reviewed and observations made at the time of site inspection, the system is reasonably secure and the operating and management structure is generally capable of detecting and eliminating attempts by individuals to defraud the system.

E2.3 Phase 1 West

- The proposed system based on the design material is a classic closed toll collection system with manual toll collection and using a simple IC card based ticketing system. A video surveillance system is installed to allow the supervisory staff to observe the toll lane operator at work on a CCTV monitor in the control room. Two-way communication between the toll lane operator and the supervisor is possible through an intercom system. Footstep alarm system is also available at the tollbooth for emergency use.
- A record of all toll transaction, including exempt vehicles, is logged in the computer system which issues the user with a receipt for the toll paid.
- The computer system would record every toll transaction which would be used to check the cash collection works by the supervisor and cashier subsequently.
- The toll collection activities based on the proposed system design appears reasonably effective especially with the use of the video surveillance system.
- Tolls are charged in accordance with the different vehicle classifications and distance traveled.
- Based on the documents reviewed, the system is reasonably secure and capable of detecting and eliminating attempts by individuals to defraud the system.

E3. FINDINGS

Following the review of relevant documents, on-site inspection of the toll facilities, discussions with the management and technical staff, technical study of system capability in avoiding the possible toll leakages resulting from various fault conditions etc., we are of the opinion that all the existing toll collection systems are in effective operation.

At the time of site inspection, no obvious toll leakage or the threat of fraud was observed and all toll collection activities were carried out in proper order.

E4. CONCLUSION

The Consultant concluded that the system review is consistent with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the "Operation & Maintenance (O&M) Study on Toll Road in Pearl River Delta" — Part 2.

Yours sincerely,
For and on behalf of
PARSONS BRINCKERHOFF (ASIA) LTD.

Dave Wong
Director

Richard Yau
Project Manager

The Warrants will be issued subject to and with the benefit of a separate instrument by way of deed poll and they will be issued in registered form and will form one class and rank pari passu in all respects with each other.

Warrant certificates will only become valid certificates of title provided that the Public Offer has become unconditional and not having been terminated in accordance with its terms.

Each Warrant will confer rights to subscribe an amount equivalent to the Offer Price for Shares at an initial subscription price equivalent to the Offer Price subject to adjustment.

The Warrants will represent direct obligations of the Company to Warrantholders as described in the Instrument. The following is a summary of the major provisions of the Instrument and of the principal terms and conditions of the Warrants set out on the Warrant certificates. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, copies of which will be available at the principal place of business for the time being of the Company in Hong Kong.

1. EXERCISE OF SUBSCRIPTION RIGHTS

(a) Each Warrantholder shall have, in respect of the Warrants of which he is the registered holder for the time being, rights (the "Subscription Rights") which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time on or after the Listing Date but not later than the date which is the day immediately preceding the third anniversary of the Listing Date (the "Subscription Period") (the date on which any of the Subscription Rights are duly exercised being called a "Subscription Date") to subscribe in cash the whole or part, in integral multiples of the Offer Price, of the amount stated on the certificate for such Warrants which a Warrantholder is entitled to subscribe for Shares upon the exercise of the Subscription Rights represented thereby (the "Exercise Monies"), for fully-paid Shares at a price equivalent to the Offer Price per Share subject to adjustment as referred to below (the "Subscription Price"). Any Subscription Rights which have not been exercised upon the expiry of the Subscription Period will lapse and thereupon the Warrants and the Warrant certificates shall cease to be valid for any purpose whatsoever.

(b) Each Warrant certificate will contain a subscription form (the "Subscription Form") which shall include (a) a certification by such holder that the owner and the beneficial owner of each Warrant being exercised is not a U.S. person (as such term is defined under Regulation S) and is located outside the United States and (b) an authorization for the production of such certification in any applicable administrative or legal proceeding. In order to exercise his Subscription Rights, a Warrantholder must complete and sign the Subscription Form (including such certification) and deliver the same and the Warrant certificate to the Warrant registrar in Hong Kong for the time being of the Company and such delivery shall constitute an irrevocable commitment by such Warrantholder to exercise such Subscription Rights, together with a remittance for the relevant portion of the Exercise Monies, being the amount of the Subscription Price for the Shares in respect of which the Warrantholder is exercising his Subscription Rights. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

(c) No fraction of a Share will be allotted but any balance representing fraction of the Exercise Monies paid on the exercise of the Subscription Rights represented by the Warrant certificate will be paid by the Company to the Warrantholder, provided always that, if the Subscription Rights attaching to the Warrants represented by one or more Warrant certificates are exercised on the same Subscription Date by the same Warrantholder then, for the purpose of determining whether any (and if so, what) fraction of a Share arises, such Subscription Rights shall be aggregated; and regard shall be made, where applicable, to the provisions of clause 6(C) of the Instrument.

(d) The Company has undertaken in the Instrument that any Shares falling to be issued upon the exercise of any of the Subscription Rights represented by the relevant Warrant certificates will be allotted and issued not later than 28 days after the relevant Subscription Date and, taking account of any adjustment which may have been made pursuant to clause 4 of the Instrument, will rank pari passu with the fully paid Shares in issue on the relevant Subscription Date and will accordingly entitle the holders to participate in all dividends or other distributions declared, paid or made after the relevant Subscription Date and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange (as defined in the Instrument) prior to the relevant Subscription Date.

(e) As soon as practicable after the relevant allotment and issue of Shares (and in any event not later than 28 days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder to whom such allotment has been made upon his exercise of any Subscription Rights:

(i) a certificate for the relevant Shares in the name(s) of such Warrantholder(s);

(ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the relevant Warrant certificate remaining unexercised;

(iii) (if applicable) a cheque representing fractions of the Exercise Monies in respect of the Warrantholder's fractional entitlement to Shares as mentioned in sub-paragraph (c) above; and

(iv) (if applicable) the certificate mentioned in clause 6(A)(4) of the Instrument.

The certificate for Shares, arising on the exercise of Subscription Rights and the balancing Warrant certificate (if any) and, the cheque in respect of fractions of the Exercise Monies in respect of the Warrantholder's fractional entitlement to Shares (if any) will be sent by post at the risk of the said Warrantholder to the address of such Warrantholder (or, in the case of a joint holding, to that one of the joint Warrantholders whose name stands first in the register of Warrantholders). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Warrant registrar in Hong Kong for the time being of the Company to await collection by the relevant Warrantholder.

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

(a) The Subscription Price shall (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases (but shall however not be adjusted below the nominal value of Shares until the Subscription Right Reserve (as defined in the Instrument) is maintained pursuant to clause 6 of the Instrument, and no adjustment shall be made in connection with any issue of Shares or Warrants under the Offering (including Shares or Warrants which may be issued upon the exercise of the Over-allotment Option) or any issue of Warrants pursuant to the Assured Entitlement Rights):

(i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;

(ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account);

(iii) a capital distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares (in their capacity as such);

(iv) a grant by the Company to holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries (as defined in the Instrument);

(v) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares, at a price which is less than 90% of the market price (calculated as provided in the Instrument) being made by the Company to holders of Shares (in their capacity as such);

(vi) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per new Share is less than 90% of the market price (calculated as provided in the Instrument), or the conversion, exchange or subscription rights of any such issue are altered so that the said total Effective Consideration is less than 90% of such market price;

(vii) an issue of Shares being made wholly for cash at a price less than 90% of the market price (calculated as provided in the Instrument); and

(viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any other stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

(b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a)(ii) to (vii) above shall be made in respect of:

(i) an issue of fully-paid Shares upon the exercise of any conversion, exchange or subscription rights attaching to securities wholly or partly convertible into Shares or exchangeable for Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;

(ii) an issue by the Company of Shares or by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

(iii) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or other profits or reserves or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or exchangeable for or carrying rights to acquire Shares);

(iv) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated as provided in the Instrument) of such Shares is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash;

(v) an issue by the Company of Shares or by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for Shares pursuant to a Share Option Scheme (as defined in the Instrument); or

(vi) an issue of Shares under the Offering (including Shares which may be issued upon the exercise of the Over-allotment Option) or an issue of Warrants by the Company.

(c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint either an approved merchant bank or the Auditors (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank or the Auditors (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or such adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank or the Auditors (as the case may be) to be in its opinion appropriate.

(d) Any adjustment to the Subscription Price shall be made to the nearest one cent (HK$0.005 being rounded up). No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required shall not be carried forward. In no event shall an adjustment be made (otherwise than upon the consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) which would increase the Subscription Price.

(e) Every adjustment to the Subscription Price shall be certified by the Auditors or an approved merchant bank and notice of each such adjustment (giving the relevant particulars) shall be given to the Warrantholders. In giving any certificate or making any adjustment hereunder, the Auditors or the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively. Any such certificates of the Auditors and/or approved merchant bank will be available for inspection by Warrantholder, at the principal place of business of the Company in Hong Kong, where copies may be obtained.

3. REGISTERED WARRANTS

The Warrants are issued in registered form. The Company shall be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

The Warrants and the underlying Shares have not been and will not be registered under the U.S. Securities Act or with any security regulatory authority of the United States or any other jurisdiction (other than Hong Kong). Accordingly, the Warrantholder or the beneficial owner of such Warrant must be a person other than a U.S. person (as such term is defined under Regulation S) and has received such Warrant outside the United States in an offshore transaction meeting the requirements of Regulation S.

The Warrants may not be re-offered, sold, pledged or otherwise transferred at any time, directly or indirectly within the United States or to, or for the account or benefit of U.S. persons (as such terms is defined under Regulation S). Consequently, any offer, sale, resale, trade or delivery made of the Warrants, directly or indirectly, within the United States or to, or for the account or benefit of a U.S. person will not be recognised.

The Shares, upon the exercise of the Warrants, may not be offered, sold, pledged or otherwise transferred except (a) outside the United States to persons other than U.S. persons in offshore transactions in reliance on Regulations S; (b) within the United States pursuant to an exemption provided by Rule 144A under the U.S. Securities Act or (c) after the expiration of 40 days from the date of issuance of the Warrants, within the United States pursuant to one or more exemptions for offers and sales of securities not involving a public offering under the U.S. Securities Act and any applicable state securities laws of the United States.

The Subscription Rights conferred by the Warrants shall be transferable subject to certain restrictions, in integral multiples of the Offer Price by instrument of transfer in any usual or common form or such other form as may be approved by the Directors or, where the transferor and/or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company, as may be approved by the Board for this purpose), by an instrument of transfer executed under hand by authorised person(s) or by machine imprinted signature(s). The Company shall maintain a principal register of Warrantholders in the territory where the Stock Exchange for the time being is situate (or in such other place as the Directors consider appropriate, having regard to applicable rules governing the listing of Warrants). If the Directors consider it necessary or appropriate, the Company may establish and maintain one or more local or branch register(s) at such location outside Hong Kong as the Directors think fit. Any transfer, transmission and registration of Warrants shall be lodged with the registrar(s) of Warrantholders. The Instrument contains provisions relating to the transfer, transmission and registration of the Warrants. Transfer of Warrants must be executed by both the transferor and the transferee provided that the board of Directors may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so.

Warrantholders should note that additional costs and expenses may be incurred in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Subscription Rights, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period.

Since the Warrants will be admitted to the Central Clearing and Settlement System ("CCASS"), so far as applicable laws or regulations of relevant government authorities, terms of the Instrument and circumstances permit, the Company may determine the last dealing day of the Warrants to be a date at least three dealing days before the expiry of the Subscription Period.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers of Warrants may be suspended and the register of Warrantholders may be closed for such period as the Directors may from time to time direct, provided that the same shall not be closed, or registration may not be suspended, for a period, or for periods together, of more than 60 days in any one year. Any transfer, or exercise of the Subscription Rights attached to the Warrants made while the register of Warrantholders is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the reopening of the register of Warrantholders.

6. PURCHASE AND CANCELLATION

The Company or any of its subsidiaries may at any time purchase the Warrants:

(a) in the open market or by tender (available to all Warrantholders alike) at any price; or

(b) by private treaty at a price, exclusive of expenses, not exceeding 110% of the closing price of the Warrants on the Stock Exchange on the date immediately prior to the date of purchase thereof,

but not otherwise. All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

7. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

(a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the terms and conditions endorsed on the Warrant certificates. A Special Resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.

(b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the terms and conditions endorsed on the Warrant certificates and/or the Instrument) with the prior sanction of a Special Resolution and may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.

(c) Where the Warrantholder is a clearing house recognised by the Laws of Hong Kong (or its nominee(s)), it may authorise such person or appoint any number of person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised or appointed, the authorisation or proxy form must specify the number and class of Warrants in respect of which such person is so authorised or appointed. The person so authorised or appointed will be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) as that clearing house (or its nominee(s)) could exercise as if such person were an individual Warrantholder including the right to vote individually on a show of hands.

8. QUORUM

The quorum of a meeting of Warrantholders shall be two or more Warrantholders, present in person or by proxy, representing in aggregate not less than 2% in value of the Subscription Rights for the time being outstanding and exercisable (except for the purpose of passing a Special Resolution (as defined in the Instrument)) and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business.

The quorum of a meeting of Warrantholders for the passing of a Special Resolution shall be two or more persons holding Warrants and/or being proxies and being or representing in the aggregate holders of not less than 5% in value of the Subscription Rights for the time being outstanding and exercisable.

9. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the Warrant registrar for the time being of the Company in Hong Kong (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK$2.5 (or such other amount as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, section 71A sub-sections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if "shares" referred therein included Warrants.

10. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

11. CALL

If at any time the aggregate of the Warrants which have not been exercised carry rights to subscribe less than HK$40 million, the Company may, on giving not less than 3 months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to Warrantholders.

12. ISSUE OF FURTHER WARRANTS

The Company shall be at liberty to issue further warrants to subscribe for Shares in such manner and on such terms as it sees fit.

13. UNDERTAKINGS BY THE COMPANY

The Company has undertaken in the Instrument, inter alia, that:

(a) all Shares allotted on the exercise of Subscription Rights shall, taking account of any adjustment which may have been made as described in paragraph 2 above, rank pari passu in all respects with the fully paid Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders to participate in full in all dividends or other distributions declared, paid or made on the Shares after the relevant Subscription Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date;

(b) it will send to each Warrantholder (or in the case of joint Warrantholders, to the Warrantholder whose name stands first in the register of Warrantholders in respect of the Warrant held by such joint Warrantholders), at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;

(c) it will pay all Cayman Islands and Hong Kong stamp and capital duties, registration fees or similar charges (if any) payable in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights. If any Warrantholder shall take any action or proceedings in any jurisdiction to enforce the obligations of the Company in respect of the Warrants or the Instrument, and for the purposes of such action or proceedings the

Instrument or any Warrant is taken into such jurisdiction and any stamp duties or similar duties or taxes become payable thereon or in respect thereof in connection with or as a result of such action or proceedings, the Company shall not be under any obligation to pay (or reimburse any person making payment of) any such duties or taxes (including, if applicable, any penalties); and

(d) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares.

14. LISTING

The Company shall use its best endeavours to procure that:

(a) at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that such obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants); and

(b) all Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that such obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to holders of the Warrants.)

15. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall as soon as practicable after exercise by such Warrantholder of any Subscription Rights either:

(a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or

(b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company,

in each case for the best consideration then reasonably obtainable by the Company.

As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relevant Warrantholder an amount equal to the consideration received by the Company therefor.

Notwithstanding the above, the Subscription Rights may not be exercised by such Warrantholder if such Warrantholder or the beneficial owner of such Warrant is (i) a U.S. person as such term is defined under Regulation S or (ii) located within the United States.

16. RIGHTS OF WARRANTHOLDERS ON WINDING-UP

The Instrument contains provisions relating to the winding-up of the Company.

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then:

(a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all Warrantholders; and

(b) in the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company (such surrender to occur not later than two business days prior to the proposed shareholders' meeting referred to above) with the Subscription Form(s) duly completed, together with payment of the Exercise Monies or the relative portion thereof, to exercise the Subscription Rights represented by such Warrant and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant (or the relative portion thereof). The Company shall give notice to the Warrantholders of the passing of such resolution within seven days after the passing thereof.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the date of the passing of such resolution shall lapse and Warrant certificates shall cease to be valid for any purpose.

17. NOTICES

The Instrument contains provisions relating to notices to be given to Warrantholders.

Every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Warrantholder are to be sent.

18. GOVERNING LAW

The Instrument and the Warrants are governed by and construed in accordance with the laws of Hong Kong.

Set out below is a summary of certain provisions of memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was adopted on 16 July, 2003 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix X in the section headed "Documents delivered to the registrar of companies and available for inspection".

2. ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted on 16 July, 2003 and include provisions to the following effect:

A. Classes of Shares

The share capital of the Company consists of ordinary shares.

B. Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which he has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director of any security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal concerning any other company in which the Director is interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director is beneficially interested in shares of that company, provided that, he, together with any of his associates, is not beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights;

(v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which he may benefit;

(bb) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company or any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(vi) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by special resolution remove any Director and may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person other than a retiring Director shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, not less than seven and not more than 28 clear days before the day appointed for the meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 6 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by a special resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

C. Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

D. Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

E. Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Companies Law.

F. Special resolution - majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

G. Voting rights (generally, on a poll and right to demand a poll)

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least five members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or

(c) any member or members of the Company present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meeting; or

(d) any member or members of the Company present in person (or in the case of a corporation by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the proxy form or authorisation shall specify the number and class of shares in respect of which each such person is so appointed or authorised. A person authorised or appointed pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

H. Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

I. Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association, to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

J. Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the date, time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

K. Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of share;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

L. Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

M. Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

N. Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

O. Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint up to two persons who must be individuals as his proxies to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

P. Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

Q. Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

R. Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph D. above.

S. Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

T. Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

U. Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

3. CAYMAN ISLANDS COMPANY LAW

A. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

B. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 January, 2003 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

C. Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

D. Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see C above for further details).

E. Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

F. Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

G. Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

H. Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

I. Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

J. Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

K. Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

L. Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

M. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

N. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

O. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

P. Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

Q. Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

R. Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(2) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking is for a period of twenty years from 4 March, 2003.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

S. Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

T. General

Maples and Calder Asia, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the registrar of companies and available for inspection" in Appendix X. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

I. FURTHER INFORMATION ABOUT THE COMPANY

(a) Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 January, 2003. The Company has established a place of business in Hong Kong at Room 64-02, 64th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and was registered on 4 July, 2003 as an oversea company in Hong Kong under Part XI of the Companies Ordinance, with Mr. Alan Chi Hung Chan of Room 64-02, 64th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong appointed as the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum and articles of association. A summary of certain relevant parts of the Company's constitution and certain relevant aspects of Cayman Islands company law are set out in Appendix VIII to this prospectus.

(b) Changes in share capital of the Company

As at the date of incorporation of the Company, its authorised share capital was HK$380,000 divided into 380,000 shares of HK$1.00 each. On 14 January, 2003, one subscriber's share of HK$1.00 in the Company was allotted and issued to Mapcal Limited for cash at par, and was transferred to Anber Investments Limited ("Anber") on the same day, which transfer was registered on 30 January, 2003.

Pursuant to the written resolutions of the sole shareholder of the Company passed on 30 June, 2003 (i) each share of a par value of HK$1.00 in the unissued and issued share capital of the Company was subdivided into 10 shares of a par value of HK$0.10 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 Shares.

On 30 June, 2003, the Company allotted and issued 3,120,100 Shares to Anber credited as fully paid in consideration of the transfer of the entire issued share capital of Most Top Limited ("Most Top") by Anber to Jetgold Limited ("Jetgold") at the direction of the Company and the transfer of the entire issued share capital of Yager International Limited ("Yager") and Wilberforce International Limited ("Wilberforce") by Anber to the Company.

On 30 June, 2003, the Company allotted and issued 140 Shares to Anber credited as fully paid at the direction of Guangzhou-Shenzhen Superhighway (Holdings) Ltd. ("GSSH") in consideration of GSSH (i) procuring the allotment and issue of two new ordinary shares in HHI GS Superhighway Co 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 ("Fan Wai") to Kingnice.

On 23 July, 2003, the Company allotted and issued 2,156,879,750 Shares to Anber credited as fully paid on capitalisation of an amount of HK$4,500,000,000 then owing by the Company to Anber.

Assuming that the Offering becomes unconditional and the issue of the Offer Shares is made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the authorised share capital of the Company will be HK$1,000,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company will be HK$288,000,000 divided into 2,880,000,000 Shares fully paid or credited as fully paid, with 7,120,000,000 Shares remaining unissued. Other than pursuant to any options which may be granted under the Share Option Scheme, pursuant to exercise of subscription rights attaching to the Warrants or pursuant to exercise of the Over-allotment Option, or the exercise of the general mandate to issue shares referred to in the paragraph headed "Written resolutions of the sole Shareholder passed on 16 July, 2003", there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since its incorporation.

(c) Written resolutions of the sole Shareholder passed on 16 July, 2003

On 16 July, 2003, written resolutions of the sole Shareholder were passed pursuant to which, among other things:

(1) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares and Warrants to be issued as mentioned herein (including any Shares which fall to be issued upon exercise of the subscription rights attaching to the Warrants, the Over-allotment Option or any options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by Citigroup, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before 6 August, 2003 (or such later date as may be agreed between Citigroup and the Company in writing):

(aa) the Offering and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and any Shares which may be required to be issued if the Over-allotment Option is exercised; and

(bb) the instrument constituting the Warrants and the creation of the Warrants were approved and the Directors were authorised to issue to Hopewell free of consideration such number of Warrants which is equal to the aggregate number of whole multiples of 10 Hopewell Shares held by each Qualifying Hopewell Shareholders on the Record Date and such authority to the Directors included authorising the Company's branch warrant registrar in the Cayman Islands and/or principal warrant registrar in Hong Kong to issue the Warrants on the branch warrant register and/or the principal warrant registrar (as the Directors shall determine) to such persons as Hopewell may direct, and to allot and issue any Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants;

(2) the rules of the Share Option Scheme were approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with the Shares issued pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same;

(3) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme, any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of shares or rights to acquire shares or any scrip dividend schemes or similar

arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately following completion of the Offering; and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or

(c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(4) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of: (A) Shares with a total nominal value as will represent up to 10% of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately following completion of the Offering and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option and (B) warrants which carry rights to subscribe for Shares as will represent up to 10% of the number of warrants in issue immediately following completion of the Offering, such mandate to remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or

(c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(5) the general unconditional mandate mentioned in paragraph (3) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (4) above provided that such extended amount shall not exceed 10% of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately following completion of the Offering and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option;

(6) a capitalisation agreement between Anber and the Company under which the Company allotted and issued 2,156,879,750 Shares to Anber credited as fully paid on capitalisation of an amount of HK$4,500,000,000 then owing by the Company to Anber was approved; and

(7) the Company approved and adopted its existing memorandum and articles of association.

(d) Corporate Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange. As a result, the Company became the holding company of the Group. The major steps of the reorganisation involved the following:

(a) On 5 March, 2003, Jetgold, a company with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, was incorporated in the BVI and one share of US$1.00 in the capital of Jetgold was allotted and issued to the Company for cash at par on 19 May, 2003.

(b) On 12 March, 2003, Kingnice, a company with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, was incorporated in the BVI and 20,000 shares in the capital of Kingnice was allotted and issued to Jetgold for cash at par on 19 May, 2003.

(c) On 30 June, 2003, the Company entered into a deed of sale and purchase with Anber in relation to acquisition from Anber, a company incorporated in the BVI with limited liability:

(i) one share of par value US$1.00 in the capital of Most Top, a company incorporated in the BVI with limited liability, representing the entire issued share capital of Most Top, which share was transferred from Anber to Jetgold at the Company's direction;

(ii) 20,000 shares of par value US$1.00 in the capital of Yager, a company incorporated in the BVI with limited liability, representing the entire issued share capital of Yager; and

(iii) 20,000 shares of par value US$1.00 in the capital of Wilberforce, a company incorporated in the BVI with limited liability, representing the entire issued share capital of Wilberforce,

in consideration of the issue and allotment of 3,120,100 Shares to Anber credited as fully paid.

(d) On 30 June, 2003, HHI GS Superhighway Co allotted and issued for cash at par one ordinary share of HK$1.00 to each of Jetgold and Kingnice, with Jetgold holding its one such share on trust for Kingnice.

(e) On 30 June, 2003, special resolutions of shareholders of HHI GS Superhighway Co were passed to convert the ordinary shares then held beneficially by GSSH (which held beneficially 100% of the voting rights in HHI GS Superhighway Co before the issue of new shares referred to in paragraph (d) above) into deferred non-voting shares of HK$1.00 each and to amend the articles of association of the company accordingly.

(f) On 30 June, 2003, in consideration of the Company allotting and issuing 140 Shares to Anber at GSSH's direction, in addition to procuring the matters referred to in paragraphs (d) and (e) above, GSSH transferred the entire issued share capital of Fan Wai to Kingnice.

(g) On 30 June, 2003, Camweld Investments Limited ("Camweld") acquired 500 shares of US$1.00 each in the issued share capital of Kingnice from Jetgold in consideration of Camweld transferring 500 shares of US$1.00 each in the issued share capital of GSSH to Anber at the direction of Jetgold.

(h) On 30 June, 2003, a deed of novation was entered into between Anber, Camweld, GSSH, Jetgold and Kingnice under which Anber and GSSH novated to Jetgold and Kingnice respectively their respective rights and obligations under the equalisation agreement dated 28 December, 1994 between Hopewell China, Camweld and GSSH (as amended by a novation agreement dated 14 July, 1997 between Hopewell China, Camweld, GSSH and Anber).

(i) On 23 July, 2003, Anber and the Company entered into a capitalisation agreement under which the Company allotted and issued 2,156,879,750 Shares to Anber credited as fully paid on capitalisation of an amount of HK$4,500,000,000 then owing by the Company to Anber.

Certain companies in the Hopewell Group hold deferred non-voting shares in certain subsidiaries of HHI which are incorporated in Hong Kong as a result of the Reorganisation (as well as previous corporate reorganisations). The rights and restrictions of such deferred non-voting shares are set out below:

(i) As regards income

The profits which the company may determine to distribute in respect of any financial period or otherwise shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively. The holders of deferred non-voting shares shall not be entitled to participate in any such distribution.

(ii) As regards capital

On a return of assets on liquidation or otherwise the assets of the company available for distribution to its members shall be distributed first in or towards returning to the holders of the ordinary shares the sum of HK$100,000,000,000 per share and second in or towards returning to the holders of the deferred non-voting shares the amount paid up thereon and the balance of any such assets shall belong to and shall be distributed amongst the holders of the ordinary shares in proportion to the amounts paid up thereon.

(iii) As regards voting

On a show of hands every holder of ordinary shares present in person shall have one vote and on a poll every holder of ordinary shares present in person or by proxy shall have one vote for each ordinary share held by him. The deferred non-voting shares shall not confer upon the holders thereof any right to receive notice of or to attend or vote at any general meeting of the company.

(e) Changes in the share capital of subsidiaries of the Company

The Company's subsidiaries are referred to in the accountants' report for the Company, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus.

(i) On 19 May, 2003, Jetgold allotted and issued for cash at par one share of US$1.00 to the Company.

(ii) On 19 May, 2003, Kingnice allotted and issued for cash at par 20,000 shares of US$1.00 each to Jetgold.

(iii) On 24 May, 2003, Hopewell Housing Limited transferred one ordinary share of HK$1.00 in HHI GS Superhighway Co which it held on trust for GSSH to HH Nominees Limited (which holds such share on trust for GSSH) at nil consideration.

(iv) On 24 May, 2003, Hopewell transferred one deferred non-voting share of HK$1.00 in HHI GS Superhighway Co which it held on trust for Hopewell China to Hopewell China at nil consideration.

(v) On 30 June, 2003, Hopewell transferred one deferred non-voting share of HK$1.00 in HHI West HK Co which it held on trust for Hopewell China to Hopewell China at nil consideration.

(vi) On 30 June, 2003, Hopewell Housing Limited transferred one ordinary share of HK$1.00 in HHI West HK Co which it held on trust for Wilberforce to Jetgold (which holds such share on trust for Wilberforce) at nil consideration.

(vii) On 30 June, 2003, Anber transferred one share of par value US$1.00 in Most Top to Jetgold at the Company's direction, 20,000 shares of par value US$1.00 in Yager to the Company and 20,000 shares of par value US$1.00 in Wilberforce to the Company in consideration of the issue and allotment of 3,120,100 Shares to Anber credited as fully paid.

(viii) On 30 June, 2003, HHI GS Superhighway Co allotted and issued for cash at par one ordinary share of HK$1.00 to each of Jetgold and Kingnice, with Jetgold holding its one such share in HHI GS Superhighway Co on trust for Kingnice.

(ix) On 30 June, 2003, special resolutions of shareholders of HHI GS Superhighway Co were passed to convert each of the one ordinary share of HK$1.00 then held by GSSH and by HH Nominees Limited (on trust for GSSH) into deferred non-voting share of HK$1.00.

(x) On 30 June, 2003, in consideration of the Company allotting and issuing 140 Shares to Anber at GSSH's direction, GSSH, in addition to procuring the matters referred to in (viii) and (ix) above, transferred one share of US$1.00 in Fan Wai to Kingnice.

(xi) On 30 June, 2003, Jetgold transferred 500 shares of US$1.00 each in Kingnice to Camweld in consideration of Camweld transferring 500 shares of US$1.00 each in GSSH to Anber at the direction of Jetgold.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

(f) Repurchase by the Company of its own securities

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(1) Regulations of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution of the sole shareholder of the Company passed on 16 July, 2003, a general unconditional mandate (the "Securities Repurchase Mandate") was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange of (1) such number of Shares as will represent up to 10% of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately following completion of the Offering, and (ii) the total nominal value of the share capital of the Company which may be issued pursuant to the Over-allotment Option and (2) such number of warrants which carry rights to subscribe for Shares as will represent up to 10% of the number of warrants to be issued following completion of the Offering, at any time until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required by the articles of association of the Company or any applicable laws to be held or the passing of an ordinary resolution of shareholders of the Company in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(b) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws and regulations of the Cayman Islands.

(c) Trading restrictions

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities (except pursuant to the exercise of share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. In addition, all securities repurchased on the Stock Exchange in any given calendar month are limited to a maximum of 25% of the trading volume of such securities as stated in the Stock Exchange daily quotation sheets in the immediately preceding calendar month. A company is also prohibited from making securities repurchases on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in public hands would fall below the relevant prescribed minimum percentage as required by the Stock Exchange, which is currently 25% in the case of the Company. A company shall procure that any broker appointed by it to effect the purchase of securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the Company as the Stock Exchange may request.

(d) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates must be cancelled upon repurchase and destroyed as soon as reasonably practicable following settlement of any such repurchase. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's interim report, a company may not purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(f) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed form not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the issuer makes a repurchase of shares. In addition, a company's annual report and accounts are required to disclose details regarding securities repurchases made during the financial year under review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the aggregate prices paid. The directors' report is also required to include reference to the purchases made during the year and the directors' reasons for making such purchases.

(g) Connected parties

A company is prohibited from knowingly repurchasing securities of the company on the Stock Exchange from a connected person (as defined under the Listing Rules), and a connected person shall not knowingly sell his securities in the company to the company on the Stock Exchange.

(2) Exercise of the Securities Repurchase Mandate

Exercise in full of the Securities Repurchase Mandate, on the basis of 2,880,000,000 Shares and not more than 87,534,002 Warrants in issue immediately after completion of the Offering (but taking no account of any Shares and Warrants which may be issued upon the exercise of the Over-allotment Option) and on the basis of 2,988,000,000 Shares and not more than 87,534,002 Warrants in issue immediately after completion of the Offering and upon exercise of the Over-allotment Option in full, could accordingly result in up to 288,000,000 Shares and not more than 8,753,400 Warrants, and 298,800,000 Shares and not more than 8,753,400 Warrants, respectively which are fully paid being repurchased by the Company during the period until (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company and applicable laws to be held; or (iii) the revocation, variation or renewal of the Securities Repurchase Mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

(3) Reasons for repurchases

Repurchases of Shares or warrants will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(4) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the memorandum of association, the articles of association of the Company and the applicable laws and regulations of the Cayman Islands. Pursuant to the Securities Repurchase Mandate, repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including profits of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the articles of association of the Company and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the articles of association of the Company and subject to the Companies Law, out of capital of the Company. The Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(5) General

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Securities Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Securities Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Securities Repurchase Mandate only in accordance with the Listing Rules, the memorandum of association, the articles of association of the Company and the applicable laws and regulations of the Cayman Islands.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention, if the Securities Repurchase Mandate is approved by the Shareholder, to sell any Shares or Warrants to the Company or its subsidiaries.

No repurchase of Shares has been made by the Company since its incorporation.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell any Shares or Warrants to the Company or has undertaken not to do so, if the Securities Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, the Directors are not aware of any other consequence under the Code as a result of a repurchase of Shares made immediately after the listing of the Shares.

II. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

(a) Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(i) a deed of novation dated 30 June, 2003 entered into between Anber, Camweld, GSSH, Jetgold and Kingnice under which Anber and GSSH novated to Jetgold and Kingnice respectively their respective rights and obligations under the equalisation agreement dated 28 December, 1994 between Hopewell China, Camweld and GSSH (as amended by a novation agreement dated 17 July, 1997 between Hopewell China, Camweld, GSSH and Anber), being the deed of novation referred to under the sub-paragraph headed "Corporate Reorganisation" under the paragraph headed "Further Information about the Company" in this Appendix;

(ii) a deed of sale and purchase dated 30 June, 2003 entered into between the Company and Anber whereby the Company acquired the entire issued share capital of Yager and Wilberforce and Anber transferred the entire issued share capital of Most Top to Jetgold at the Company's direction, in consideration of the issue and allotment of 3,120,100 Shares to Anber, being the deed of sale and purchase referred to under the sub-paragraph headed "Corporate Reorganisation" under the paragraph headed "Further Information about the Company" in this Appendix;

(iii) an agreement dated 30 June, 2003 entered into between GSSH and the Company under which GSSH agreed to (i) procure the allotment and issue of two new ordinary shares in HHI GS Superhighway Co to 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) transfer its one share in Fan Wai to Kingnice, in consideration of the Company agreeing to issue and allot 140 Shares to Anber at GSSH's direction, being the agreement referred to under the sub-paragraph headed "Corporate Reorganisation" under the paragraph headed "Further information about the Company" in this Appendix;

(iv) a sale and purchase agreement dated 30 June, 2003 entered into between Camweld and Jetgold under which Jetgold transferred 500 shares in Kingnice to Camweld in consideration of Camweld transferring 500 shares in GSSH to Anber at the direction of Jetgold;

(v) a capitalisation agreement dated 23 July, 2003 entered into between Anber and the Company under which the Company allotted and issued 2,156,879,750 Shares to Anber credited as fully paid on capitalisation of an amount of HK$4,500,000,000 then owing by the Company to Anber, being the capitalisation agreement referred to under the sub-paragraph headed "Corporate Reorganisation" under the paragraph headed "Further information about the Company" in this Appendix;

(vi) the Public Offer Underwriting Agreement;

(vii) a deed of indemnity dated 25 July, 2003 entered into between Hopewell, Anber and the Company for itself and as trustee for its subsidiaries and the JV Enterprises, under which Hopewell and Anber have given certain indemnities in favour of the Group containing, among other things, the indemnities referred to in the sub-paragraph headed "Estate duty and tax indemnity" under the paragraph headed "Other Information" in this Appendix;

(viii) a deed of undertaking dated 25 July, 2003 entered into between the Company, Hopewell and Citigroup relating to certain undertakings relating to, among others, restrictions on issue and disposal of shares;

(ix) a non-compete undertaking dated 25 July, 2003 given by Hopewell in favour of the Company under which Hopewell has undertaken not to engage in investment in toll road projects in the PRC subject to certain exceptions, being the non-compete undertaking referred to under the section headed "Relationship with the Hopewell Group — General"; and

(x) a deed of indemnity dated 25 July, 2003 given by Hopewell in favour of the Company under which Hopewell has agreed to indemnify the Company against any liabilities and penalties imposed on the Group if the Ring Road JV is unable to obtain the outstanding land use rights certificates for the Guangzhou section of the Guangzhou E-S-W Ring Road after having taken all necessary actions to obtain them (such actions include but are not limited to paying all fees, charges, premiums and costs, and incurring all expenses, which are necessary for obtaining the certificates).

(b) Intellectual property

The Group is the registrant of the following domain name:

Domain name	Registration date	Expiry date
hopewellhighway.com	9 July, 2003	11 April, 2011

(c) The JV Enterprises

All of the Group's three existing projects are joint ventures established (or to be established in the case of Phase 1 West JV) according to applicable PRC laws governing Sino-foreign co-operative joint ventures, a summary of which are set out in the following table:

	GS Superhighway JV	Ring Road JV	Phase 1 West JV
Date of establishment	27 April, 1988	26 December, 1992	In the process of being established
Approval requirements	Certificate of Approval for its establishment as a Sino-foreign co-operative joint venture was issued by Guangdong Provincial Government on 25 April, 1988 Business Licence was issued by PRC Industrial and Commercial Administrative Bureau on 27 April, 1988	Certificate of Approval for its establishment as a Sino-foreign co-operative joint venture was issued by Guangzhou Municipal Government on 24 December, 1992 Business Licence was issued by PRC Industrial and Commercial Administrative Bureau on 26 December, 1992	Final approval is in the process of being obtained
Total investment	RMB12,217 million (total cost of construction as audited by Guangdong Provincial Audit Bureau)	RMB4,500 million	RMB1,680 million (approved by the Guangdong Provincial Development Planning Committee)
Registered capital	RMB471 million (equivalent to HK$702 million) fully paid and verified on 12 December, 1991	US$55 million fully paid and verified on 23 March, 1995	Approved to be not less than 35% of the total investment i.e. RMB588 million and yet to be paid
Concession period	30 years from 1 July, 1997	30 years from 1 January, 2002	30 years from date of establishment (expected in 2003)
Scope of business activities	To plan, design, construct, operate and manage the GS Superhighway Project and various facilities along the route of the GS Superhighway, including, cafeterias, advertisements, public bus services, car parks, refueling stations, motor vehicle repair centres, stations for passenger and goods vehicles and retail sales	To plan, design, construct, operate and manage the Guangzhou E-S-W Ring Road Project and various facilities along the route of the Guangzhou E-S-W Ring Road as provided in the Ring Road JV Contract	Subject to the final approval, the scope of business activities is to invest, plan, design, construct and operate Phase 1 West

III. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

(a) Directors

(1) Disclosure of Interests

(a) Immediately following completion of the Offering and taking no account of Shares which may be taken up pursuant to the Offering and the Shares to be issued pursuant to the exercise of the Over-allotment Option, the interests and short positions of the Directors and chief executives of the Company in the share capital, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be 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 they have taken, or deemed to have taken under such provisions) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows:

(i) Beneficial interests and short positions in Hopewell Shares as at the Latest Practicable Date[(i)]

Name of Director	Personal	Family	Corporate[(ii)]	Other	Total
Gordon Ying Sheung WU .	62,494,032	21,910,000[(iii)]	111,250,000[(iv)]	30,680,000	226,334,032
Eddie Ping Chang HO	19,360,000	246,000	2,050,000	—	21,656,000
Thomas Jefferson WU	24,350,000	—	820,000	—	25,170,000
Kojiro NAKAHARA	10,671	—	—	—	10,671
Leo Kwok Kee LEUNG.....	10,000	—	—	—	10,000

Notes:

(i) These interests do not include those in underlying shares of equity derivatives of Hopewell. These interests need to be aggregated with those set out in sub-paragraph (ii) below (if applicable) to give the total interests in Hopewell beneficially owned by the Directors.

All interests in the Hopewell Shares are long positions. None of the Directors or chief executives held any short position in the Hopewell Shares.

(ii) These Hopewell 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 Hopewell Shares represent 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 Hopewell Shares represent the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure includes 61,190,000 Hopewell Shares held by Lady Ivy Sau Ping KWOK WU through corporations.

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

As at the Latest Practicable Date, the following Directors held outstanding share options granted under the share option scheme adopted by Hopewell on 11 October, 1994 entitling them to subscribe for such number of Hopewell Shares as set out below:

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

Note: None of the Directors or chief executives held any short position in underlying shares of equity derivatives of associated corporations.

(iii) Beneficial interests in debentures in associated corporations

As at the Latest Practicable Date:

(1) the 9⅞% Notes due 2004 for a face amount of US$4,850,000 issued by GSSH was beneficially owned by companies in which Mr. Thomas Jefferson WU was entitled to exercise one-third or more of the voting power at its general meeting; and

(2) the 9⅞% Notes due 2004 for a face amount of US$400,000 issued by GSSH was beneficially owned by Mr. Lee Yick NAM.

(iv) Beneficial interests and short positions in underlying shares of equity derivatives of the Company

The following Directors will have the following beneficial interests in the following approximate number of Warrants to be distributed to Qualifying Hopewell Shareholders as a result of their interests in Hopewell Shares set out in sub-paragraph (i) above:

Name of Director	**Personal**	**Family**	**Corporate**(ii)	**Other**	**Total**
Gordon Ying Sheung WU....	6,249,401	2,191,000(iii)	11,124,999(iv)	3,068,000	22,633,400
Eddie Ping Chang HO.........	1,936,000	24,600	205,000	—	2,165,600
Thomas Jefferson WU.........	2,435,000	—	82,000	—	2,517,000
Kojiro NAKAHARA...........	1,067	—	—	—	1,067
Leo Kwok Kee LEUNG......	1,000	—	—	—	1,000

Notes:

(i) All interests in the Warrants will be long positions. None of the Directors or chief executives will hold any short position in the Warrants then.

(ii) These Warrants will be beneficially owned by a company in which the relevant Director will be 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 represent the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.

(iv) The corporate interests of 11,125,000 Warrants represent the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure includes 6,119,000 Warrants held by Lady Ivy Sau Ping KWOK WU through corporations.

(b) Immediately following completion of the Offering, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware and taking no account of Shares which may be taken up pursuant to the Offering, and the Shares to be issued pursuant to the exercise of the Over-allotment Option, the persons who will be interested or deemed to be interested under Part XV of the SFO in 10% or more of the Shares then in issue, or who have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, will be as follows:

(i) Anber. Anber will hold 2,160,000,000 Shares, representing approximately 75% of the issued share capital of the Company.

(ii) Delta Roads Limited ("Delta Roads"). As Anber is wholly-owned by Delta Roads, Delta Roads will be deemed to be interested in the same block of 2,160,000,000 Shares, representing approximately 75% of the issued share capital of the Company, under Part XV of the SFO.

(iii) Dover Hills Investments Limited ("Dover Hills"). As Delta Roads is wholly-owned by Dover Hills, Dover Hills will be deemed to be interested in the same block of 2,160,000,000 Shares, representing approximately 75% of the issued share capital of the Company, under Part XV of the SFO.

(iv) Supreme Choice Investments Limited ("Supreme Choice"). As Dover Hills is wholly-owned by Supreme Choice, Supreme Choice will be deemed to be interested in the same block of 2,160,000,000 Shares, representing approximately 75% of the issued share capital of the Company, under Part XV of the SFO.

(v) Hopewell. As Supreme Choice is wholly-owned by Hopewell, Hopewell will be deemed to be interested in the same block of 2,160,000,000 Shares, representing approximately 75% of the issued share capital of the Company, under Part XV of the SFO.

(c) Save as disclosed herein but taking no account of any Shares which may be taken up under the Offering, and the Shares to be issued pursuant to the exercise of the Over-allotment Option, the Directors are not aware of any person who will immediately following completion of the Offering be directly or indirectly interested in 10% or more of the Shares then in issue or equity interest in any member of the Group representing 10% or more of the equity interest in such company.

(d) Each of Sir Gordon Ying Sheung WU, Mr. Eddie Ping Chang HO, Mr. Thomas Jefferson WU, Mr. Alan Chi Hung CHAN and Mr. Lijia HUANG, by virtue of his directorship (or then directorship) of Hopewell, the intermediate holding companies of the Company and/or other companies in the Hopewell Group involved in the Reorganisation, is or may be considered to be interested in the steps of Reorganisation and in related transactions and arrangements.

(e) Each of Sir Gordon Ying Sheung WU, Mr. Eddie Ping Chang HO, Mr. Thomas Jefferson WU, Mr. Alan Chi Hung CHAN, Ir. Leo Kwok Kee LEUNG, Mr. Cheng Hui JIA and Mr. Kojiro NAKAHARA, by virtue of his interests in Hopewell Shares, is or may be considered to be interested in the steps of Reorganisation and in related transactions and arrangements.

(2) Directors' remuneration

(i) Approximately HK$3,381,820 was paid to the Directors by the Group as remuneration in respect of the financial year ended 30 June, 2002.

(ii) Approximately HK$2,682,000 as remuneration is estimated to be paid to the Directors (HK$1,818,000 to Mr. Alan Chi Hung CHAN, HK$169,000 to Mr. Lijia HUANG and HK$695,000 to Mr. Cheng Hui JIA) by the Group in respect of the financial year ended 30 June, 2003.

(iii) Save as disclosed in Appendix I, no Director received any remuneration or benefits in kind from the Group for the financial year ended 30 June, 2002 and the ten months ended 30 April, 2003.

(iv) Under the arrangements currently proposed, conditional upon the listing of the Shares on the Stock Exchange, the annual remuneration (excluding any discretionary bonus which may be paid) payable by the Company and its subsidiaries to the Directors commencing on or about the Listing Date will be as follows:

	HK$ (rounded to the nearest thousand)
Sir Gordon Ying Sheung WU	3,260,000
Mr. Eddie Ping Chang HO	2,500,000
Mr. Thomas Jefferson WU	1,906,000
Mr. Alan Chi Hung CHAN	1,906,000
Ir. Leo Kwok Kee LEUNG	1,737,000
Mr. Lijia HUANG	590,000
Mr. Cheng Hui JIA	1,012,000
Mr. Christopher Shih Ming IP	1,672,000
Mr. Lee Yick NAM	100,000
Mr. Gordon YEN	100,000
Mr. Kojiro NAKAHARA	100,000
Mr. Philip Tsung Cheng FEI	100,000

(b) Related party transaction

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 30 of section A of the Accountants' Report set out in Appendix I and the paragraph headed "Connected Transactions" in the section headed "Relationship with the Hopewell Group" in this prospectus.

(c) Disclaimers

Save as disclosed herein:

(1) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consent of experts" under the section headed "Other Information" in this Appendix is interested in the promotion of the Company, or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(2) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;

(3) none of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(4) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(5) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Offering or related transaction as mentioned in this prospectus;

(6) so far as is known to the Directors, none of the Directors, their respective associates (as defined in the Listing Rules) or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group; and

IV SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the written resolutions of the sole shareholder of the Company passed on 16 July, 2003 and approved by shareholders of Hopewell at an extraordinary general meeting of Hopewell held on 16 July, 2003:

(A) The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined in paragraph (C) below) and for such other purposes as the board of Directors may approve from time to time.

(B) The Share Option Scheme is conditional upon (i) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the sole shareholder of the Company and authorising the Directors to grant rights to subscribe for Shares pursuant to the terms of the Share Option Scheme ("Options"), to subscribe for Shares thereunder and to allot and issue the Shares pursuant to the exercise of any Options granted under the Share Option Scheme; (ii) the approval of the Share Option Scheme by the shareholders of Hopewell in general meeting; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; (iv) the Listing Committee granting approval of the listing of, and permission to deal in (1) the Shares in issue and to be issued as mentioned in this prospectus and (2) any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme; and (v) the commencement of dealings in the Shares on the Stock Exchange. If the above conditions are not satisfied on or before the date which is 90 days after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(C) The board of Directors may, at its discretion, invite (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) 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 (or persons, firms or companies proposed to be appointed for providing such services); (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 (whether full-time or part-time) of substantial shareholder of the Company (provided that the board of Directors may have absolute discretion to determine whether or not one falls within the above categories) ("Participants") to take up Options. In determining the basis of eligibility of each Participant, the board of Directors would take into account such factors as the board of Directors may at its discretion consider appropriate. No offer of the grant of an Option shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the board of Directors (as such date is first notified by the Company to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's interim or annual results; and (ii) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules, and ending on the date of the results announcement, no Option may be granted.

(D) Offer of an Option ("Offer") shall be deemed to have been accepted by any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the original grantee ("Grantee") and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within 28 days from the date of the Offer. Such remittance shall in no circumstances be refundable. The subscription price for the Shares is calculated in accordance with paragraph (E) below.

(E) The subscription price for the Shares under the Share Option Scheme will be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Offer is accepted by the Grantee (or, if such date is not a Business Day, the next following Business Day, "Grant Date"); (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Grant Date (provided that the new issue price shall be used as the closing price for any Business Day falling within the period before listing of the Shares where the Company has been listed for less than 5 Business Days as at the Grant Date); and (iii) the nominal value of the Share.

(F) (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Offering (i.e. 288,000,000 Shares), unless the Company obtains a fresh approval from the Shareholders pursuant to (ii) below.

(ii) Subject to (iv) below, the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

(iii) Subject to (iv) below, the Company may seek separate approval by its shareholders in general meeting for granting Options beyond the 10% limit provided the Options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

(iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

(G) Subject to the provisions of the Share Option Scheme and the Listing Rules, the board of Directors may when making an offer of grant of an Option impose any conditions, restrictions or limitations in relation thereto as it may at its absolute discretion think fit.

(H) (i) The maximum entitlement for any one Participant is that the total number of the Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Any further grant of Options to a Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue shall be subject to the Shareholders' approval in general meeting with such Participant and his Associates abstaining from voting. The number of Shares subject to the Options to be granted and the terms of the Options to be granted to such Participants shall be fixed before the Shareholders' approval and the date of the meeting of the board of Directors for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

(I) (i) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (all with the meaning as ascribed under the Listing Rules) of the Company or their respective Associates must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the Grantee).

(ii) Where the board of Directors proposes to grant any Option to a Participant who is a substantial shareholder (with the meaning as ascribed under the Listing Rules) or an independent non-executive director, or any of their respective Associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the date of such grant:

(1) representing in aggregate more than 0.1% of the total number of Shares in issue; and

(2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to the Shareholders containing all those terms as required under the Listing Rules. All connected persons of the Company must abstain from voting at such general meeting (except that any connected person may vote against the relevant resolution provided that his intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(J) An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by the board of Directors at its absolute discretion and notified by the board of Directors to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme ("Option Period"). Subject to paragraphs (T) to (V) below, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the Option Period.

(K) Unless otherwise determined by the board of Directors and specified in the offer letter to be given to the Participant at the time of the offer of the Option, there is neither any performance target that needs to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

(L) An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which a Grantee commits a breach of the foregoing.

(M) If the Grantee ceases to be a Participant for any reason other than on his death or the termination of his employment, directorship, office or appointment on one or more of the grounds specified in paragraph (O) below, the Grantee may exercise the Option up to his entitlement at the date of cessation (to the extent he is entitled to exercise at the date of cessation but not already exercised) within the period of 3 months (or such longer period as the board of Directors may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office, appointment or directorship in the relevant company, as the case may be. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(N) If the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of his employment, directorship, office or appointment under paragraph (O) below arises, the personal representative(s) of the Grantee shall be entitled to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent not already exercised) within a period of 6 months or such longer period as the board of Directors may determine from the date of death. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(O) An Option shall lapse automatically (to the extent not already exercised) on the date on which the Grantee ceases to be an employee, director, consultant, professional adviser or chief executive of the relevant company or substantial shareholder of the Company (as the case may be) by reason of the termination of his employment, directorship, office or appointment on the grounds that he has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty.

(P) In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representatives(s)) shall be entitled to exercise all or any of his Option at any time not later than 2 Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a payment for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(Q) (i) In the event a general offer by way of take-over is made to all the holders of the Shares (other than by way of scheme of arrangement pursuant to (ii) below) (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days of the notice of the offeror exercise the Option (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) to its full extent or to the extent specified in such notice.

(ii) If a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of the Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

(iii) If a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies (other than a general offer or a scheme of arrangement contemplated in (ii) above), the Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two months thereafter and the date on which such compromise or arrangement is sanctioned by the Court, exercise any of his Options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective.

Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. the Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(R) The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

(S) In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, sub-division or consolidation of the Shares or reduction of capital, excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party, such corresponding alterations (if any) certified in writing by an independent financial adviser or the auditors for the time being of the Company to be in their opinion as fair and reasonable will be made in the number of Shares subject to the Options so far as unexercised and/or the subscription price, provided that such alterations shall give a Grantee the same proportion of the issued share capital of the Company as that to which he is previously entitled, but so that no such alteration shall be made the effect of which would enable a the Share to be issued at less than its nominal value.

(T) The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted by resolution of the sole shareholder of the Company.

(U) The board of Directors may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Option granted but not exercised. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by the board of Directors as provided above.

(V) The Company by resolution in general meeting or the board of Directors may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(W) The provisions of the Share Option Scheme may be altered in any respect by resolution of the board of Directors except that provisions relating to the class of persons eligible for the grant of Options and all such other matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and options for up to 288,000,000 Shares may initially be granted under the scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted by the Company under the Share Option Scheme.

V. OTHER INFORMATION

(a) Estate duty and tax indemnity

Hopewell and Anber have pursuant to a deed of indemnity referred to in the section headed "Summary of Material Contracts" in this Appendix, given indemnities to the Group to the extent of the Company's percentage interest in each Indemnified Party (as defined below) in connection with, among others, any taxation which might be payable by any member of the Group, the GS Superhighway JV or the Ring Road JV (each an "Indemnified Party") in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Offering becomes unconditional, other than taxation payable by any Indemnified Party chargeable in respect of income, profits or gains made in the ordinary course of its business since 30 April, 2003.

Hopewell and Anber (the "Indemnifying Parties") will however, not be liable under the deed of indemnity for taxation where (1) provision or allowance has been made for such taxation in the audited combined accounts of the Group for the three years ended 30 June, 2002 and the 10 months ended 30 April, 2003 (the "Accounts"); (2) the taxation arises or is incurred as a result of a retrospective change in law or an increase in tax rates coming into force after the date of the deed of indemnity; (3) the taxation or liability would not have arisen but for any act, transaction or omission by any Indemnified Party voluntarily effected after the date of the deed of indemnity outside the ordinary course of business (other than pursuant to a binding commitment existing at the date of the deed of indemnity) without the prior acquiescence of the Indemnifying Parties; and (4) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands, the British Virgin Islands or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

(b) Litigation

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

(c) Address for service of process and notices

Mr. Alan Chi Hung CHAN has been nominated as the authorised person to accept service of process and notices of the Company. The address for service of process and notices is Room 64-02, 64th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) Sponsor

Citigroup has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and Shares and Warrants to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options granted under the Share Option Scheme).

(e) Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US$3,000 and are payable by the Company.

(f) Promoter

The promoter of the Company is Hopewell, incorporated on 23 June, 1972 in Hong Kong. As at the Latest Practicable Date, the issued share capital of Hopewell was HK$2,189,955,302.50 divided into 875,982,121 shares of HK$2.50 each which are fully paid or credited as fully paid. Hopewell's current directors, principal bankers and auditors are as follows:

Directors of the promoter

Sir Gordon Ying Sheung WU	Mr. Robert Van Jin NIEN	Mr. Colin Henry WEIR
Mr. Eddie Ping Chang HO	Mr. Guy Man Guy WU	Mr. David Yau-gay LUI
Mr. Josiah Chin Lai KWOK	Lady Ivy Sau Ping KWOK WU	Mr. Carmelo Ka Sze LEE
Mr. Thomas Jefferson WU	Ms. Linda Lai Chuen LOKE	Mr. Albert Kam Yin YEUNG
Mr. Henry Hin Moh LEE	Mr. Lawrence Sai Kit MIAO	Mr. Andy Lee Ming Cheung

Principal bankers of the promoter

Bank of China (Hong Kong) Limited	The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited	BNP Paribas
Industrial and Commercial Bank of China (Asia) Limited	Liu Chong Hing Bank Limited
Citibank, N.A.	Mizuho Corporate Bank, Limited
The Development Bank of Singapore Limited	Tai Fung Bank Limited
Hang Seng Bank Limited	

Auditors of the promoter

Deloitte Touche Tohmatsu

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Offering or the related transactions described in this prospectus.

(g) Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Citigroup	Registered investment adviser and securities dealer
Deloitte Touche Tohmatsu	Certified public accountants
Parsons Brinckerhoff (Asia) Ltd.	Traffic consultant
FPD	Property valuers and business valuers
Maples and Calder Asia	Cayman Islands attorneys-at-law
Haiwen & Partners	PRC lawyers

(h) Consents of experts

Each of Citigroup, Deloitte Touche Tohmatsu, Parsons Brinckerhoff, FPD, Maples and Calder Asia and Haiwen & Partners has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

(i) Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

(j) Miscellaneous

(1) Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
- (d) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.

(2) None of Citigroup, Deloitte Touche Tohmatsu, Parsons Brinckerhoff, FPD, Maples and Calder Asia and Haiwen & Partners:

- (a) is interested beneficially or non-beneficially in any shares in any member of the Group; or
- (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

(3) No company within the Group is presently listed on any stock exchange or traded on any trading system.

(4) All necessary arrangements have been made to enable the Shares and the Warrants to be admitted into CCASS for clearing and settlement.

I. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong were copies of the **WHITE**, and **YELLOW** application forms, the written consents referred to under the heading "Consents of experts" in Appendix IX, the statement of adjustments made by Deloitte Touche Tohmatsu in arriving at the figures set out in their accountants' report and giving their reasons therefor, and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix IX to this prospectus.

II. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo, Kwan, Lee & Lo, 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 11 August, 2003:

(a) the memorandum and articles of association of the Company;

(b) the accountants' report on the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;

(c) the audited accounts of HHI GS Superhighway Co, HHI Ring Road Co and HHI West HK Co as have been prepared for each of the two financial years ended 30 June, 2001 and 30 June, 2002;

(d) the letters prepared by Deloitte Touche Tohmatsu relating to the profit estimate and the profit forecast, the texts of which are set out in Appendix III to this prospectus;

(e) the letter prepared by Citigroup relating to the profit estimate and the profit forecast, the text of which is set out in Appendix III to this prospectus;

(f) the material contracts referred to in the section headed "Summary of material contracts" in Appendix IX to this prospectus;

(g) the written consents referred to in the section headed "Consents of experts" in Appendix IX to this prospectus;

(h) the rules of the Share Option Scheme;

(i) the letter and valuation certificate prepared by FPD, the texts of which are set out in Appendix IV to this prospectus;

(j) the letter and valuation certificate prepared by FPD, the texts of which are set out in Appendix V to this prospectus;

(k) the letters prepared by Parsons Brinckerhoff, the texts of which are set out in Appendix VI to this prospectus;

(l) a draft, subject to modification, of the instrument constituting the Warrants;

(m) the letter prepared by Maples and Calder Asia summarising certain aspects of Cayman Islands company law referred to in Appendix VIII to this prospectus; and

(n) the Companies Law.