



HOPEWELL
Holdings Limited
Annual Report 2003
合和實業有限公司二零零三年年報





Mission 宗旨

Hopewell Holdings Limited is one of Hong Kong's premier companies with diverse business interests spread across Property Investment and Development, Highway Infrastructure, Hotels and Hospitality, and Construction. The Group, with strong expertise in investment, development and engineering of major projects, focus on Hong Kong and the Pearl River Delta, and is founded on visionary strategic initiatives. In August 2003, its subsidiary, Hopewell Highway Infrastructure Limited, which holds the majority of its PRC-based transportation infrastructure interests was listed on the Stock Exchange of Hong Kong, with the Group retaining 75% interest.

合和實業有限公司乃本港其中一間卓越的公司，業務分佈多元化，包括有物業投資及發展、公路基建、酒店和建築。本集團建基於高瞻遠矚的策略及憑藉着所擁有的專門技術，致力於香港及珠江三角洲的主要項目的投資、發展及工程。於二零零三年八月，旗下之附屬公司合和公路基建有限公司，持有主要以中國大陸為基礎的交通基建業務，已經於香港聯合交易所上市，集團持有其 75% 股份。



Group Business Overview

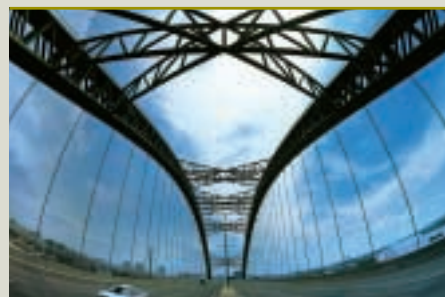
GUANGZHOU-SHENZHEN SUPERHIGHWAY

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



GUANGZHOU ESW RING ROAD PROJECT

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



SHUNDE ROADS AND SHUNDE 105 ROAD

The Shunde Roads are a system of four interconnecting dual three lane highways which form the core road network around the Shunde District of Foshan Municipality; whereas, Shunde 105 is a separate major route through the District, providing vital access to neighbouring municipalities.



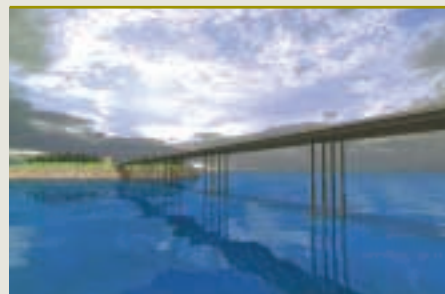
PHASE 1 OF THE WESTERN DELTA ROUTE (UNDER CONSTRUCTION)

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



HK-ZHUHAI-MACAU BRIDGE TUNNEL

A proposed Y-shaped 29km bridge tunnel linking Hong Kong's western Lantau Island to the cities of Macau and Zhuhai on mainland China being pursued by the Group.



CHINA HOTEL

A 5-star hotel with 1,200 rooms in Guangzhou, which was Group's first hotel project in the mainland, using the build-operate-transfer concept.



PANDA HOTEL

A 1,000-room hotel in Tsuen Wan area, which is one of the largest hotels in Hong Kong, with its operation managed by a subsidiary of the Group.



HONGKONG INTERNATIONAL TRADE AND EXHIBITION CENTRE

A modern and unique 14-storey complex in Kowloon Bay, of over 163,000 sq.m., with self-contained convention and exhibition area, showroom offices, restaurants and other related business facilities.



HOPEWELL CENTRE

A 66-storey office / commercial building in Wanchai, which is the Group's flagship building and a Hong Kong landmark.

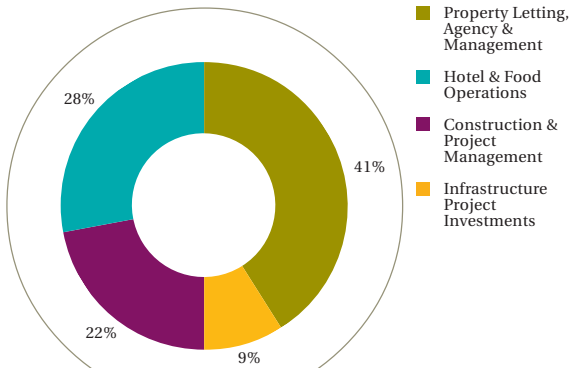


NOVA TAIPA GARDENS

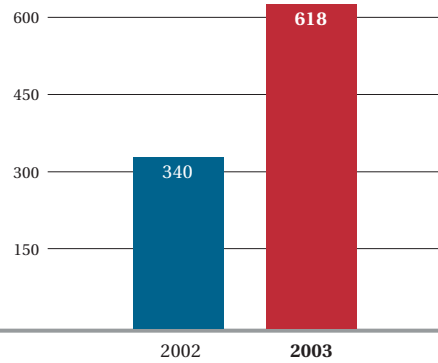
A joint venture multi-phase development of residential commercial, social amenities, offices and a hotel in Macau.

Hopewell Holdings Limited Financial Highlights

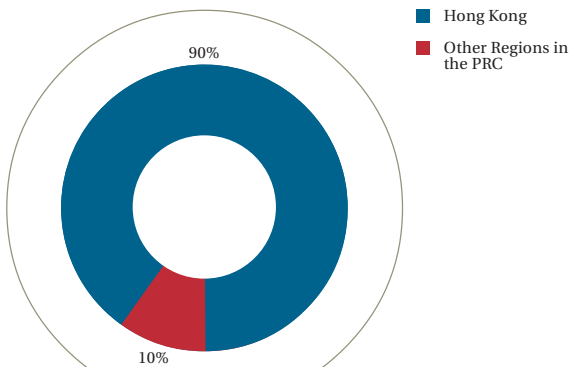
Turnover by Activity



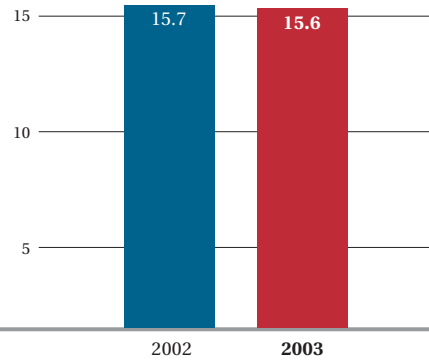
Profit Attributable to Shareholders (HK\$m)



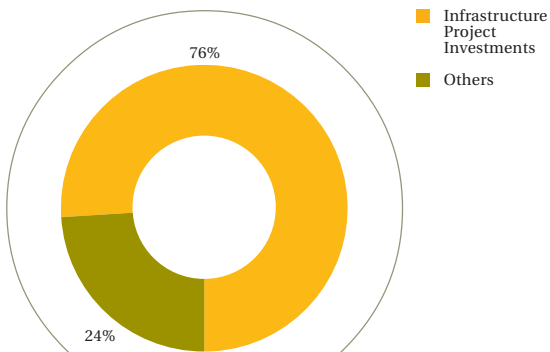
Turnover by Country



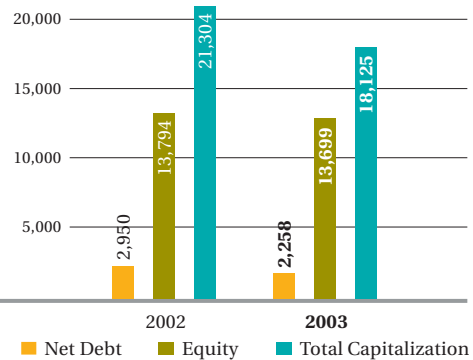
Net Asset Value Per Share (HK\$)



Earnings before Interest and Tax



Net Debt versus Equity and Total Capitalization (HK\$m)





Hopewell Holdings Limited

5 Year Financial Summary

Consolidated Results

Year ended 30th June

(in HK\$ million)	1999	2000	2001	2002	2003
Turnover	1,348	1,572	1,750	1,132	799
Profit from ordinary activities before taxation	205	193	336	363	833
Taxation	(32)	(20)	(27)	(13)	(116)
Profit before minority interests	173	173	309	350	717
Minority interests	(3)	(6)	(3)	(10)	(99)
Profit attributable to shareholders	170	167	306	340	618

Consolidated Balance Sheet

As at 30th June

(in HK\$ million)	1999	2000	2001	2002	2003
Investment properties	7,222	6,358	6,385	5,986	5,655
Property, plant and equipment	1,185	1,154	1,119	1,119	1,493
Properties for or under development	864	935	662	833	1,018
Interests in jointly controlled entities	15,757	15,237	14,120	8,135	8,207
Defeasance/pledged deposits	110	101	87	1,833	1,681
Other non-current assets	941	957	946	1,181	575
Current assets	1,863	2,067	875	4,038	1,241
Total assets	27,942	26,809	24,194	23,125	19,870
Non-current liabilities	(9,652)	(9,593)	(8,010)	(4,396)	(3,875)
Current liabilities	(3,766)	(3,484)	(2,205)	(4,914)	(2,171)
Total liabilities	(13,418)	(13,077)	(10,215)	(9,310)	(6,046)
Minority interests	(5)	(10)	(13)	(21)	(125)
Shareholders' equity	14,519	13,722	13,966	13,794	13,699

Per Share Basis

	1999	2000	2001	2002	2003
Earnings per share (HK cents)	19.4	19.1	34.9	38.8	70.5
Dividend per share (regular) (HK cents)	10.0	11.0	12.0	13.0#	25.0
Net asset value per share (HK\$)	16.6	15.7	15.9	15.7	15.6

(# special dividend HK30 cents not included)

Financial Ratios

	1999	2000	2001	2002	2003
Net debt to equity	73%	74%	56%	21%	16%
Net debt to total capitalization	42%	42%	35%	14%	12%
Return on equity	1.2%	1.2%	2.2%	2.5%	4.5%

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Chairman's Statement



The results reflect improved contributions from the Group's road infrastructure projects, lower finance costs and the write-back of previously made provisions...

At Hopewell Holdings we have the vision, the commitment and the resources to build for the future.

Financial Highlights

Amidst the challenging economic environment in the past financial year, net profit attributable to shareholders increased by 82% from HK\$340 million to HK\$618 million. The results reflect improved contributions from the Group's road infrastructure projects, lower finance costs and the write-back of previously made provisions as a result of the disposal of the Group's interest in the Tanjung Jati B Power Plant Project in Indonesia. Earnings per share was HK70.5 cents, representing an increase of 82% over last year.

The Board of Directors has proposed a final dividend of HK18 cents per share which, together with the interim dividend of HK7 cents per share, will result in total dividends for the year of HK25 cents per share. This represents a 92% increase over HK13 cents per share (excluding the special dividend of HK30 cents per share) of last year. The Register of Members of the Company will be closed from Tuesday, 14th October, 2003 to Tuesday, 21st October, 2003, both dates inclusive, during which period no transfer of shares of the Company will be effected. Subject to the approval of the shareholders at the annual general meeting to be held on 21st October, 2003, the final dividend will be paid on or about 23rd October, 2003 to shareholders as registered at the close of business on 21st October, 2003.



Turnaround in Financial Strength

Shareholders will be pleased to note that Hopewell Holdings has now made a turnaround improvement in its financial strength. Debt has been substantially reduced over this period of time, including defeasance of our GS Superhighway Notes and our net debt to equity ratio at this year-end was 16%, compared to 21% last year. Coupled with the reduction of debt, the Group also listed its subsidiary, Hopewell Highway Infrastructure Limited (“HHI”), on the Main Board of the Stock Exchange of Hong Kong on 6th August, 2003, raising over HK\$3 billion. The Group will now consist of two listed companies each with its own portfolio of businesses. HHI will focus on the initiation, promotion, and development of toll roads and bridges. Hopewell Holdings will continue to operate its own core businesses of property and hospitality while retaining approximately 75% shareholding in HHI. In addition, with the resolution of the Tanjung Jati B project, where the Group is to recover net proceeds from the disposal of the project of HK\$1.68 billion over time, the Group’s financial resources will be further strengthened. The Group today is financially sound, having solid business fundamentals and a high degree of transparency. We are very excited to enter a new chapter of growth for Hopewell.

Business Review

Despite the challenging economy, as well as the impact of SARS, the Group’s major business of providing and operating toll road infrastructure in the Pearl River Delta continued to record strong growth in profits. The Group’s hospitality business, like the industry as a whole, was negatively affected, but earnings contributions from this business accounted for only a small portion of Hopewell’s earnings before interest and tax.

The Group reduced its debt levels with the early redemption of the 2007 Notes in August 2002 and the sale of our interest in the Tanjung Jati B power plant project in Indonesia will also help bolster the level of cash reserves.

In view of the strength of the expressway infrastructure business, and to provide better transparency and clarity of this business to investors, the Group placed the expressway projects, comprising the majority of its China toll road network, including the Guangzhou-Shenzhen Superhighway (“GS Superhighway”), Guangzhou ESW Ring Road (“Ring Road”) and Western Delta Route, into a separate entity, which was publicly listed in Hong Kong in August, 2003.

Hopewell Holdings has now made a turnaround improvement in its financial strength.

Infrastructure

The Pearl River Delta has become one of the world's most important manufacturing centres and today our roads form an integral part of the highway network connecting cities. Passengers and freight vehicles' demands on the highways operated by the Group's Joint Ventures are reflected in the performance of the Group's toll road projects.

As seen in the table below, both average daily traffic & toll revenue have increased at the respectable rates.

<i>Financial Year ended 30th June</i>	<i>2002</i>	<i>2003</i>	<i>Growth rate</i>
<i>GS Superhighway</i>			
Average Daily Traffic (No. of vehicles)	123,191	155,394	26%
Average Daily Toll Revenue (RMB)	5,183,936	5,778,931	11%
<i>ESW Ring Road</i>			
Average Daily Traffic (No. of vehicles)	32,757	38,930	19%
Average Daily Toll Revenue (RMB)	486,738	590,053	21%

With Guangdong's GDP as the highest among all provinces in the PRC, with about 25% of the total foreign direct investment in the PRC in 2002, and with car production and ownership continuing its sustained strong growth, the Group remains confident that the infrastructure business will also continue its superior growth.

Property

We have, over the past two years, strengthened our property investments in the region. In Macau, we are moving ahead with the second phase development of Nova Taipa Gardens, a key residential, commercial and hotel/office and social amenities development in which the Group holds a 50% interest.

In Guangzhou, we have completed negotiations and made payment to purchase a development site in Huadu. It is ideally located near to Guangzhou's new international airport and we expect it to be a prime location for commercial, logistics and residential purposes. This property is planned to be developed in phases, aiming at capturing the demand being generated by the new airport.

I believe it is the right time for the Group to activate our own development plans.

In Hong Kong, we hold a valuable and sizeable land bank in the heart of Wanchai along both sides of Queen's Road East. With new office and residential developments beginning to reshape the face of this district, I believe it is the right time for the Group to activate our own development plans. Mega Tower Hotel will lead our aspirations here with plans being developed for a major hotel complex incorporating recreational facilities, ballroom and function rooms, restaurants and an auditorium which will attract conferences and conventions, as well as shops, cinemas and other commercial interests. The recent PRC policy on relaxation of tourist visas for mainland visitors to Hong Kong has already stimulated the local tourism, retail and hospitality sectors, and in the longer term, we are very excited about the business opportunities offered by Mega Tower Hotel, and two neighbouring sites on which a commercial building and a residential building are being planned.

The property investment sector in Hong Kong experienced weak demand in the last year. However, the Hopewell Centre, in Wanchai, has bucked this trend and continued to hold its occupancy levels on a par with those of last year. The Group retains the support of long-term corporate tenants, many of whom have been in the Hopewell Centre for almost 20 years, and we are constantly looking at ways to upgrade offices and the standard and management of on-site facilities. Separately, in Kowloon Bay, the Group is ready to implement plans to expand the use of Hongkong International Trade and Exhibition Centre ("HITEC") for commercial, retail and recreational purposes. We have already obtained consent from the District Lands Conference on the change of land use, in line with the Government's urban re-development plans for southeast Kowloon, and are working on the lease modification procedures. The expanded nature of HITEC's business will complement the district's commercial development.

Long term, we are confident that there is substance in Hong Kong's property market. We believe that districts such as Wanchai will become a natural extension to Central in terms of office supply and hotel location, and will subsequently continue to grow and expand, maintaining their importance as commercial centres.

Hopewell Holdings is well positioned to meet the challenges of the future and to capture opportunities that will emerge across our broad and exciting marketplace.

Hospitality

Our hotel and hospitality interests have gained strength from a difficult year. The Panda Hotel in Tsuen Wan had been on course during the first 8 months of the financial year for a significant improvement in performance over the previous year when it was disrupted by the outbreak of SARS that severely hit Hong Kong's entire hotel sector. Nevertheless, the hotel managed to remain profitable for the year with average occupancy of 65%. We continue to target customers from Mainland China, Korea and South East Asia and expect room rates and occupancy will recover over the coming year. We also expect a positive impact from new Hong Kong Immigration laws that eases restrictions on Mainland China tourists visiting Hong Kong.

Tanjung Jati B Power Plant Project

The persistent effort of the Group has finally resulted in a satisfactory resolution for the Tanjung Jati B Power Plant project in Indonesia. The disposal of the project was concluded subsequent to the year end date and the aggregate net cash consideration to the Group is HK\$1,680 million, of which partial proceeds of approximately HK\$686 million was received on 5th August, 2003. The proceeds from the disposal will further strengthen the financial position of the Group and enhance its capability to explore new investment opportunity.

Prospects

Recent developments have been encouraging for the economic outlook of Hong Kong, such as the signing of the Closer Economic Participation Arrangement and the relaxation of tourist visa approvals for mainlanders to visit Hong Kong. We believe that the efforts of the Hong Kong Government towards revival of the economy is steadily beginning to show tangible results, and will provide more favourable market conditions for the general business community.

With the Group's strong platform of diverse business interests, sound financials and a motivated workforce, Hopewell Holdings is well positioned to meet the challenges of the future and to capture opportunities that will emerge across our broad and exciting marketplace.

The future, I believe, is promising and exciting. The Group is in a stronger position than ever to pursue the strategy we have adopted to invest and develop the property and hospitality markets in Hong Kong and the Pearl River Delta. Under HHI, we will also continue to drive towards completing the expressway network in the Pearl River Delta region. As an example, we are actively pursuing the proposed Hong Kong-Zhuhai-Macau Bridge-Tunnel. I have pursued this project for the last two decades and am confident that the Group is well equipped to participate in this project.

Changes of Directors

In line with the spin-off and listing of HHI, for a clear delineation between the businesses retained by the Company and that of HHI, a number of Board changes were effected before the listing. Mr. Alan Chi Hung CHAN resigned from the Board on 25th July, 2003, and serves only on the HHI Board as Deputy Managing Director. On 6th August, 2003, Mr. Eddie Ping Chang HO became Vice Chairman and Managing Director, while Mr. Thomas Jefferson WU became Deputy Managing Director. Mr. HO and Mr. WU also serve on the board of HHI as Vice Chairman and Managing Director, respectively. Two new Executive Directors, Mr. Andy Lee Ming CHEUNG and Mr. Eddie Wing Chuen HO Jr., were appointed on 16th July, 2003 and 6th August, 2003 respectively.

Acknowledgement

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

Sir Gordon Ying Sheung WU KCMG, FICE

Chairman

Hong Kong, 8th September, 2003

Management Team



Sir Gordon Ying Sheung WU KCMG, FICE
Chairman



Mr. Eddie Ping Chang HO
Vice Chairman & Managing Director



Mr. Josiah Chin Lai KWOK
Deputy Managing Director



Mr. Colin Henry WEIR
Executive Director



Mr. David Yau-gay LUI
Executive Director



Mr. Thomas Jefferson WU
Deputy Managing Director



Mr. Robert Van Jin NIEN
Executive Director



Mr. Albert Kam Yin YEUNG
Executive Director



Mr. Andy Lee Ming CHEUNG
Executive Director



Mr. Eddie Wing Chuen HO Junior
Executive Director

Operations Review



The Pearl River Delta in southern Guangdong Province has rapidly become one of the world's most important centres of industrial output and is continuing to grow. New port and airport developments and the PRC's World Trade Organisation ("WTO") membership have resulted in increasing foreign investment in manufacturing facilities in the region and have contributed to its continuous rise in GDP. As a result, vehicle production and ownership have continued to grow at record rates. Toll roads, built as part of the Hopewell's vision, are now strategic links in the transportation network that underpins the Pearl River Delta's economic growth.

INFRASTRUCTURE



The financial year 2002-2003 has seen Hopewell Holdings reap the results from significant debt reduction over the past five years and a strong infrastructure business. These, together with a focused approach to the strengths of our other key business elements – property and hotels – and the positioning of those businesses within the geographical context of Hong Kong and Pearl River Delta, have laid the foundation for the Group’s future investment and development strategies.

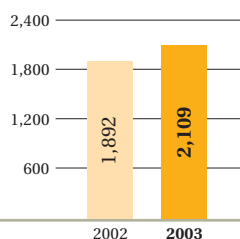
The Group, through co-operative joint venture arrangements, has invested in five toll road projects across the Pearl River Delta (“PRD”) . Four of these projects, namely, the Guangzhou-Shenzhen Superhighway, Guangzhou ESW Ring Road, Shunde Roads and Shunde 105 Road, with a combined road length of over 300 km, are operational and have exhibited remarkable strength in terms of traffic volume and toll revenue growth over the year. The fifth toll road project, Western Delta Route (Phase 1), is a 14.7km dual three lane expressway from Guangzhou to Shunde that is expected to be completed by mid-2004. The Group is actively pursuing the development of two further phased extensions to this stretch of the expressway.



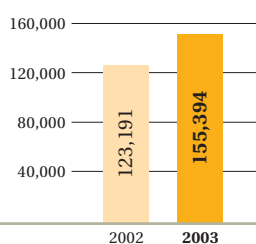
GUANGZHOU-SHENZHEN SUPERHIGHWAY (“GS SUPERHIGHWAY”)

In view of the strong economic growth in the Guangdong Province, especially in the PRD region, the Guangzhou-Shenzhen Superhighway continues its robust growth in terms of both traffic volume and toll revenue. The GS Superhighway is a 122.8 km, dual three lane toll expressway with 18 toll stations along the route. During the financial year, average daily traffic reached 155,394, a 26% growth over the previous year. Total toll revenue reached RMB 2.1 billion, an 11% increase over 2002. With the Huanggang border crossing with Hong Kong open on a 24-hour basis as of January 2003, and with the PRC’s WTO membership and the Closer Economic Partnership Arrangement (“CEPA”) signed in June 2003, we expect continued growth on this expressway.

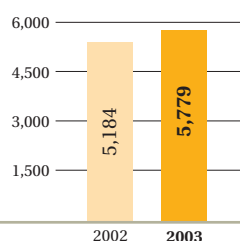
Toll Revenue
(RMBm)



Average Daily Traffic
(No. of vehicles)



Average Daily Toll Revenue (RMB'000)



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

Although the GS Superhighway still has capacity to handle further increase in traffic, additional toll lanes have been added at particularly busy toll stations such as Huangtien, Nantou and Baoan, to improve traffic capacity. The main alignment between Hezhou and Huangtien interchanges is being expanded with an additional lane in each direction to increase capacity along this busy 2.7 km section of the expressway. Further, over 50 km of road surface was re-paved during the year as part of a three-year major repairing programme which will cover virtually the whole expressway.

The Joint Venture company was also awarded the ISO9001 quality standard this year – a recognition of operational and management standards that are applied to the expressway.

PROJECT SUMMARY

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

GUANGZHOU ESW RING ROAD PROJECT (“ESW RING ROAD”)

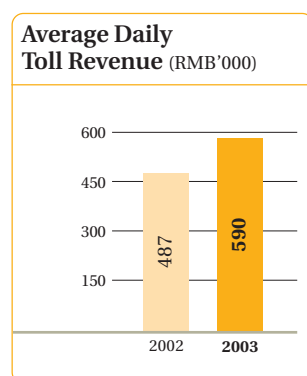
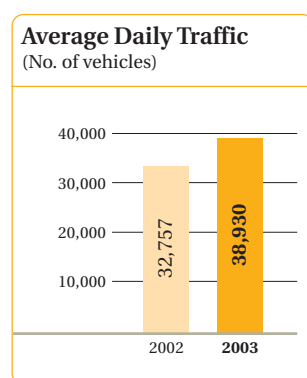
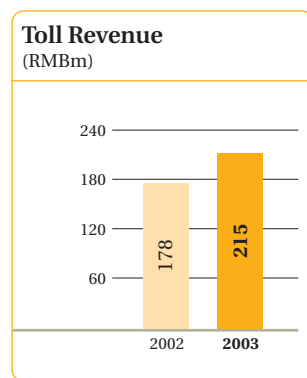
The Guangzhou ESW Ring Road, is a 38 km long expressway with dual three lane and 10 interchanges equipped with computerised toll collection and traffic surveillance systems. It is connected to the Guangzhou Northern Ring Road to form a complete expressway around the major centres of Guangzhou. There are also several connecting expressways and highways along the ESW Ring Road which ensure that traffic is able to reach a wide network of destinations. During the year, it continued to record steady growth. Its average daily toll traffic figure stood at 38,930, 19% higher than last year’s figures. Annual toll revenue reached RMB 215 million, 21% higher than the previous financial year.



The gradual completion of connecting highways and expressways and the development of districts in the northern and southern part of Guangzhou have contributed to the increase in traffic flows along the expressway.

The Group and its joint venture partners continue to plan ahead. A connecting road at the Huangqi interchange linking with the Guangfo Highway will be completed before the end of 2003 and the Western Delta Route (Phase 1), now under construction, will connect to the ESW Ring Road when completed in mid-2004.

Other links are being built at Xinzhou Interchange and Luntou Interchange to complete connections with both the Guangzhou East Expressway and the Guangzhou Southern Expressway.



PROJECT SUMMARY

Location	Guangzhou, Guangdong, PRC		
Length	38km		
Lane	Dual three lane		
Class	Expressway		
JV Contractual Operation Period	Jan 2002 – Dec 2031		
Profit Sharing Ratio	Year 1-10: 45%	Year 11-20: 37.5%	Year 21-30: 32.5%



SHUNDE ROADS AND SHUNDE 105 ROAD

The Shunde Roads are a system of four interconnecting dual three lane highways which form the core road network around the Shunde District of Foshan Municipality; whereas, Shunde 105 is a separate major route through the District, providing vital access to neighbouring municipalities. Both projects are open-system highways.

The joint venture companies of the Shunde Roads and Shunde 105 have reached agreements with the Foshan Municipal Roads and Bridges Company (“Foshan Company”), a company 100%-owned by the Foshan Municipal Government, that the Foshan Company has been entrusted to collect tolls on their behalf since March, 2003. Under the agreed arrangement, effective from 15th March, 2003, the Foshan Company has been paying each of the joint venture companies every month the equivalent of its monthly average toll revenue of 2002 over the remainder of the cooperation period, plus an annual growth rate to be mutually agreed.

The Group is of the view that the arrangement is beneficial to the joint venture companies for not only securing reasonable income growth but also reducing operating expenses.

SHUNDE ROADS PROJECT SUMMARY

Location	Shunde, Guangdong, PRC
Length	102.4km
Lane	Dual three lane
Class	Class 1 Highway
JV Contractual Operation Period	Aug 1996 – Aug 2026
Profit Sharing Ratio	25%

SHUNDE 105 ROAD PROJECT SUMMARY

Location	Shunde, Guangdong, PRC
Length	40km
Lane	Dual three lane
Class	Class 1 Highway
JV Contractual Operation Period	Jan 2001 – Dec 2025
Profit Sharing Ratio	30%

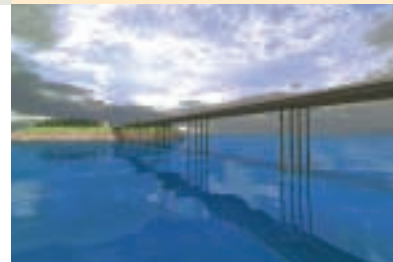
WESTERN DELTA ROUTE (PHASE 1)

This 14.7km dual three lane, closed system expressway is under construction and due for completion in mid-2004. It will be the only expressway linking Guangzhou and Shunde and will bring travelling time between the two cities to 10 to 15 minutes - a reduction of 25 to 30 minutes by using the existing highways.



HK-ZHUHAI-MACAU BRIDGE-TUNNEL

The proposed Y-shaped 29 km bridge-tunnel linking Hong Kong's western Lantau Island to the cities of Macau and Zhuhai on mainland China, is designed to spur logistics, tourism and economic activities within the western Pearl River Delta. The Group has been an early and strong advocate of this idea, its necessity and viability, and we remain confident that we will play a vital role in this project through Hopewell Highway Infrastructure Limited, our recently listed subsidiary.





Property development and investment is one of the core businesses of the Hopewell Group. In addition to the past successful track record and over 30 years of accumulated experience and expertise in property development, the Group has a well balanced portfolio of developed and under development property projects spreading over Hong Kong, Macau and Guangdong, including :

PROPERTY

<i>Project</i>	<i>Location</i>	<i>Description</i>	<i>Status</i>
HONG KONG SAR			
Hopewell Centre	Wanchai, Hong Kong Island	A 66-storey commercial building with GFA of about 78,000 sq.m.	Completed since 1980 and presently held by the Group as rental property.
Hongkong International Trade and Exhibition Centre	Kowloon Bay, Kowloon	A 18-storey building with conference, exhibition, restaurant, showroom office & carpark facilities with GFA of about 163,700 sq.m.	Completed since 1995 and presently held by the Group as rental property. Application for change of use to more flexible office/commercial uses has been approved and negotiation with Government on premium is ongoing.
Mega Tower Hotel	Wanchai, Hong Kong Island, near Hopewell Centre	A planned site of about 13,000 sq.m. under various approval process for the development of a hotel and shopping complex with convention facilities	Under going various process for Town Planning Board's approval
214-224 Queen's Road East and 9-19 Sam Pan Street	Wanchai, Hong Kong Island, near Hopewell Centre	Presently a 19-storey building with site area of about 1,080 sq.m. due to be demolished for redevelopment	Demolition for redevelopment is presently planned to be in early 2004
196-206 Queen's Road East	Wanchai, Hong Kong Island, near Hopewell Centre	A vacant site of about 460 sq.m. presently used for car parking open to the public.	Available for commercial/office redevelopment.
MACAU SAR			
Nova Taipa Gardens	Nova Taipa Island, Macau	A joint venture with Shun Tak and STD M of which the Group has a 50% interest.	Phase 1 with 2,228 residential units completed since 1997 and development of phase 2 is under planning. Construction of 552 residential units as part of phase 2 is presently underway.
GUANGZHOU CITY - GUANGDONG PROVINCE, PRC			
Huadu development	Huadu, Guangzhou, PRC, near the new international airport of Guangzhou	The Group has 95% interest in the project with a site of about 733,000 sq.m. for a composite development with residential, logistic and commercial developments.	Under development by phases. Present plan is for construction of Phase 1 to commence before the end of 2003.

INVESTMENT PROPERTY

HOPEWELL CENTRE



Hopewell Centre remains a Hong Kong landmark. It retains a steady list of long-term tenants and its occupancy levels in the shopping arcade and throughout the office tower, have remained consistent at 92% - just 1% lower than the previous financial year. Earnings before interest and tax for the year stood at HK\$113 million, 7.4% down on the previous year.

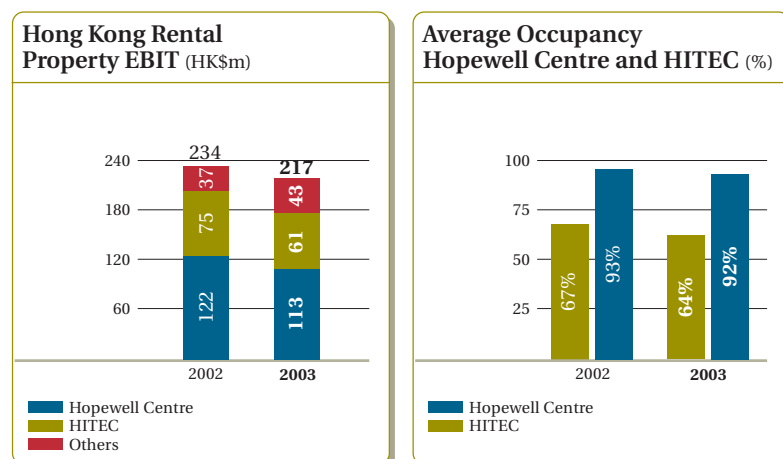
The increasing supply of office space in both the Central and Wanchai districts and strong rental incentives being offered by major landlords to retain tenants, can place pressure on our rental rates. Our turnover for the year stood at HK\$157 million, just HK\$5 million less than last year. To ensure the building remains increasingly attractive to tenants we are undertaking a major renovation programme focusing on upgrading common areas including main lobbies, and the installation of an additional lift.

HONGKONG INTERNATIONAL TRADE AND EXHIBITION CENTRE (HITEC)



This property is located in Kowloon Bay and has a broad range of showroom office, event facilities, clubhouse and restaurants. HITEC's average occupancy for the year was kept at 64%, compared to 67% last year.

In June 2003, the District Lands Conference consented to our proposed lease modification to non-industrial use, which will permit us to rent out space for office, retail and recreational purposes. Our advanced convention and exhibition facilities and a new marketing strategy aimed at attracting more local events to the centre proved successful during the year. Revenue losses were successfully minimized.



PROPERTY DEVELOPMENT

NOVA TAIPA GARDENS

Nova Taipa Gardens is a joint venture multi-phase development of residential, commercial, social amenities, offices and a hotel on a 176,000 sq.m. site on Taipa Island, in Macau. Phase I of the development was completed in 1997. Phase II will consist of 13 high-rise residential towers. The foundation work for this phase has been completed and the construction licence for the superstructure was obtained. The design of the complex has been refined to meet current market conditions and construction work on five towers will commence soon.

HUADU DEVELOPMENT

The Group has acquired a 95% interest in this composite development containing residential, commercial and logistic developments on a site of about 733,000 sq.m. in Huadu, Guangzhou, strategically located not far from the new international airport of Guangzhou. Huadu is a fast developing district of Guangzhou with a number of old and new industries, e.g. Dongfeng Motor Co Ltd (a joint venture with Japan's Nissan Motor), ShiLing International Leather & Leather Products Town and China Huadu (International) Jewelry Town. With the opening of the new international airport, which is scheduled for 2004, a further impetus to its economic development, it is estimated that there will be a robust demand for residential, commercial and logistic developments in the Huadu District.

This project is planned to be developed by phases. Site formation and preliminary soil investigation for the first phase of the development has been completed and design is underway. The present plan is to commence construction before the end of 2003 of the first phase consisting of primarily of row houses with gardens and apartment blocks.



MEGA TOWER HOTEL

Mega Tower Hotel is the Group's latest hotel development. Located on Kennedy Road, and covering a proposed site area of over 13,000 sq.m. to the west of Hopewell Centre, the Group plans to develop a major hotel complex with convention facilities. The complex will also incorporate recreation, shopping, restaurant and other commercial facilities.

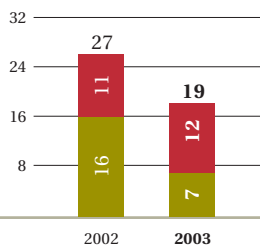
During the year, the master layout plan for the project was submitted to the Town Planning Board for approval. Comments were received from various government departments, and the Group is considering and refining the master layout plan.

HOSPITALITY

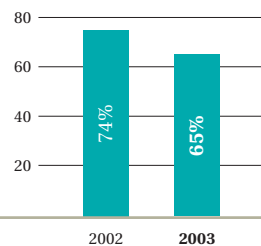
Although the first half yearly results were better than that of last year's, the SARS outbreak saw visitor numbers fall dramatically between March and May 2003 and the second half yearly result of the Group's hospitality business was significantly affected. However, we took this opportunity to renovate and upgrade facilities and to implement new staff training and customer service programmes in preparation for the market upswing.



Hospitality EBIT (HK\$m)



Average Occupancy Panda Hotel (%)



PANDA HOTEL

Mainland visitors made up the majority of guests at the Panda Hotel, located in the heart of Tsuen Wan. The open policies from the PRC such as the introduction of a Guangzhou-Hong Kong permit in January 2003 improved our occupancy rates and average room rates. The outbreak of SARS in late-March resulted in room cancellations across Hong Kong's hotel sector. However, our yearly average room occupancy stood at 65%, only 9% below the previous year's figures, and the average room rate increased by 4%. Food and beverage outlets at the hotel are undergoing a major renovation programme. A facelift to the ballroom has been completed and the four restaurants are now being upgraded, along with a gradual refit of guest rooms.

Once Hong Kong was delisted as a SARS-affected area on 23 June 2003, Hong Kong's tourism industry began to recover. Air passenger arrival numbers grew and visitor arrival figures from the Hong Kong Tourism Board indicate a continued steady revival of visitor interest from the Panda Hotel's key markets – Mainland China, and Southeast Asia. We expect an improved demand for rooms from corporate clients such as those involved in projects nearby and other infrastructure projects in the Tsuen Wan area. Also targeted are independent travellers on both long and short haul trips through positioning Panda a hotel offering comfort and elegance and with easy access to transport links to the rest of Hong Kong. Group tours from Mainland China will continue to make up the major segment of our market and will remain a service focus for the hotel. However, similar markets in Japan, Korea and Southeast Asia will also be tapped.

Tsuen Wan's population provides a natural clientele catchment for the Panda's restaurants and bars. Good value and quality food, plus an innovatively designed sports bar, are expected to attract both local residents as well as staff from companies based in the area.



RESTAURANTS AND CATERING SERVICES

In addition to the soft market conditions for restaurants and catering services, the Group's business was further affected by the impact of SARS during the latter part of the year. To mitigate the difficult circumstances, the Group has designed and launched a series of innovative promotions, including special value menus and different cuisine influences to draw guests back into the restaurants.



CONSTRUCTION & ASSOCIATED DEVELOPMENTS



It has been a low-key financial year for our construction business. Revenue was down HK\$105 million to HK\$172 million. Project work focused on the completion of four projects for five Government schools. The economic climate resulted in a loss of performance by some sub-contractors on these projects. To honour its contractual obligations, Hopewell Construction stepped in with extra resources to ensure that the projects could be completed with minimum loss of time. New sub-contracts include work on a residential project in MacDonnell Road, Hong Kong Island, and two commercial buildings in Mongkok and Kwun Tong where the slip climbform construction method was applied.

TANJUNG JATI B POWER PLANT PROJECT

By way of background, the Group entered into the Power Purchase Agreements relating to the financing, construction, operation and subsequent transfer of the Tanjung Jati B Power Plant project in Indonesia. Following the Asian economic crisis in 1997, construction on the site of the Tanjung Jati B Power Plant project was suspended in mid-1998. Subsequently, PLN (a state-owned electricity corporation) commenced a programme to rationalise its power purchase agreements with developers of independent power producer projects. The persistent effort of the Group over the past few years has finally resulted in a satisfactory resolution of the project. Subsequent to the year-end date, the disposal of the power plant project was concluded and the first instalment of consideration was received on 5th August 2003 by the Group.

The aggregate cash consideration, payable in instalments, for the power plant project is approximately HK\$2,388 million. The Group is entitled to receive an aggregate net proceeds of approximately HK\$1,680 million after repayment of liabilities relating to the power plant project, of which approximately HK\$686 million has already been received.



Financial Review

Group Results

For the year ended 30th June, 2003, the Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

	Turnover		Earnings before interest and tax	
	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million
Infrastructure project investment				
– Operating & other activities	21	16	475	577
– Financing	202	58	202	58
Property letting, agency & management	354	328	234	217
Hotel operations, restaurant & catering	250	225	27	19
Construction & project management	276	172	(23)	(34)
Other activities	29	–	96	93
	<u>1,132</u>	<u>799</u>	1,011	930
Administrative expenses			(58)	(71)
Charitable donation			–	(20)
Earnings before interest & tax (Note 1)			<u>953</u>	<u>839</u>
			Results	
			2002	2003
			HK\$m	HK\$m
Earnings before interest & tax			953	839
Impairment loss on a power plant written back			–	366
Profit on disposal of investment			192	–
Finance costs (Note 2)			(782)	(372)
Taxation			(13)	(116)
Minority interests			(10)	(99)
Net profit			<u>340</u>	<u>618</u>
Earnings per share (HK cents)			<u>38.8</u>	<u>70.5</u>

Note:

- (1) Earnings before interest & tax is the sum of profit from operations of HK\$129 million before impairment loss written back (2002: HK\$395 million) and share of results of jointly controlled entities and associates totalling HK\$710 million (2002: HK\$558 million)
- (2) The amount included interest expenses and related finance costs of 2004 and 2007 Notes and premium on early redemption of 2007 Notes totalling HK\$237 million (2002: HK\$610 million). The 2007 Notes was repaid in August 2002.

The Group's turnover for the year ended 30th June, 2003 was HK\$799 million as compared with HK\$ 1,132 million of last financial year. Since the equity accounting method is adopted, turnover attributable to the Group from the PRC Joint Ventures (the "Joint Ventures") has not been accounted for in the Group's turnover. Total gross turnover of the Joint Ventures amounted to RMB2,808 million for the year ended 30th June, 2003, representing an 11% increase from the same period of the previous year.

The Group's earnings before interest and tax ("EBIT") was HK\$839 million as compared with HK\$ 953 million of the last financial year, mainly due to a decrease of HK\$144 million interest income from the PRC Joint Ventures after the repayment during 2002 of a substantial amount of the advances made by the Group to one of the joint ventures operating in the PRC. Proceeds received were applied in August 2002 to effect defeasance and repayment of the Group's fixed rate unsecured Notes due 2004 and 2007 which reduced interest expenses substantially. Under the equity

accounting method, the Group's attributable share of results from the Joint Ventures is reflected in the Group's results. The amount increased by 28% from HK\$516 million of the last financial year to HK\$661 million for the year as a result of increased contribution from the road infrastructure projects.

The Group reported a net profit of HK\$618 million, an 82% increase compared with HK\$340 million of the last financial year. The increase was attributable to (a) the improved operating results of road infrastructure projects of HK\$577 million as compared to HK\$475 million of the last year, (b) the lower finance costs of the current year of HK\$372 million as compared to HK\$782 million of the last year due to the low interest rate environment and the redemption of the Group's unsecured Notes due 2007, and (c) the impairment loss provision written back of HK\$366 million resulting from the disposal of the Tanjung Jati B ("TJB") Power Plant project. Tax written back in last financial year and increase in the provision for Hong Kong Profits Tax resulted in an increase in net taxation charge for the year as compared with last year. The increase in minority interests is attributable to the minority's share of the impairment loss written back for the TJB project.

Liquidity and Financial Resources

During the year, in addition to the recurring cash contributed by operations in Hong Kong, the Group also received substantial cash from its projects in the PRC, particularly the Guangzhou-Shenzhen Superhighway project. Even after distribution of HK\$385 million cash dividends (including the special dividends) to shareholders during the year, the Group utilized part of its cash balances to repay outstanding debt. By the year end, the Group reduced its net debt by 23% to HK\$2,258 million (2002: HK\$2,950 million), and lowered its net debt to equity ratio to 16% (2002: 21%).

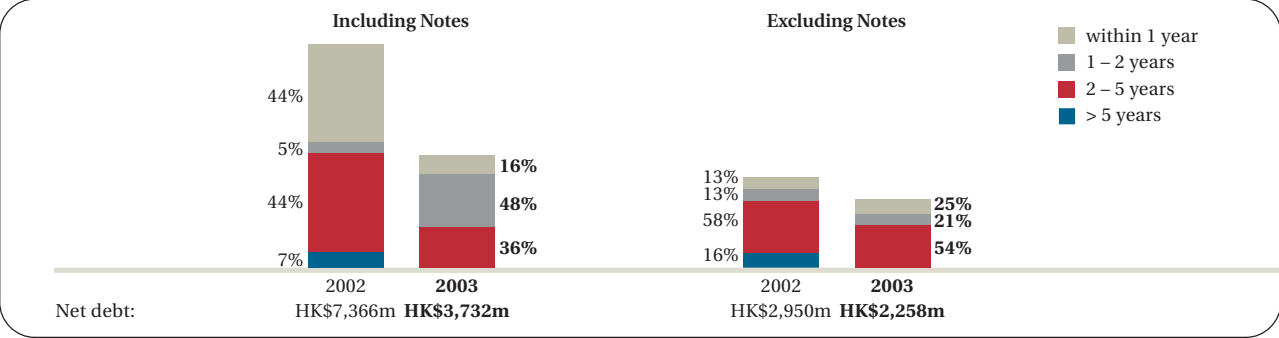
On 15th August, 2002, the Group early redeemed the US dollar denominated unsecured Notes due 2007 of US\$372 million bearing a fixed interest rate of 10¹/₄% per annum. In addition, the Group also repaid, by way of covenant defeasance, US dollar denominated unsecured Notes due 2004, of US\$194 million bearing a fixed interest rate of 9⁷/₈% per annum. As a result, the Group's borrowings, excluding Notes due 2004, was HK\$2,952 million on 30th June, 2003.

The Group's capitalization structure (comprising shareholders' equity and borrowings) is set out as follows:

<i>At as 30th June</i>	<i>2002</i>	<i>2003</i>
<i>(HK\$ million)</i>		
Equity	13,794	13,699
Total net debt	2,950	2,258
Total capitalization	21,304	18,125
<i>(%)</i>		
Total net debt vs total capitalization	14%	12%
Total net debt vs equity	21%	16%

Resultant debt (net debt after setting off interest bearing loans provided by the Group to China projects) was HK\$499 million, representing 3.6% of equity.

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



The majority of the Group's borrowings, excluding the Notes due 2004, carry interest at floating rates and are denominated in Hong Kong dollars and the exchange risk to the Group in this respect is immaterial.

The Group is in a strong financial position and possesses a large capital base whilst the net debt position remains low. With substantial committed banking facilities in place and continuous cash inflow from a solid base of recurrent income, the Group has adequate financial resources to fund its ongoing operations and present investments.

Subsequent to the year end, the Group spun off 25% of its shareholding in HHI, which is the holding company of the Group's highway infrastructure business except for the Group's interest in the Shunde Roads and the Shunde 105 projects. After the spin-off, the Company received approximately HK\$550 million from HHI as repayment of shareholders' loans advanced by the Company for the ESW Ring Road project, and HHI Group repaid outstanding bank loan of approximately HK\$372 million in relation to the ESW Ring Road project.



Report of the Directors

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

Principal Activities

The principal activity of the Company is investment holding and its subsidiaries are active in the field of investment in infrastructure projects, property development and investment, property agency and management, hotel operations and management, restaurant operations and food catering, construction and project management.

Results

The results of the Group for the year ended 30th June, 2003 are set out in the consolidated income statement on page 43.

Dividends

The directors recommended the payment of a final dividend of HK18 cents (2002: final dividend of HK7 cents and special dividend of HK30 cents) per share which, together with the interim dividend of HK7 cents (2002: HK6 cents) per share paid on 27th March, 2003, represents a total dividend distribution of HK\$219 million in respect of the year ended 30th June, 2003 (2002: HK\$377 million). The dividends proposed have been incorporated in the financial statements.

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section “Operations Review” as set out on pages 10 to 22.

Share Capital

Particulars of share capital of the Company during the year are set out in note 30 to the financial statements.

Reserves

Movements in reserves during the year are set out in note 31 to the financial statements.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$20,288,000.

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 16 and 17 to the financial statements respectively.

Particulars regarding the major properties and property interests of the Group are shown on pages 95 and 96.

Major Customers and Suppliers

During the year, the turnover attributable to the Group's five largest customers combined was less than 30% of the Group's turnover. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

Purchase, Sale or Redemption of Shares

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

Directors

The Directors of the Company as at the date of the report are listed on page 40 of the annual report. Mr. Victor Tzar Kuoi LI retired as Independent Non-Executive Director of the Company at the 2002 Annual General Meeting held on 17th October, 2002. Mr. Albert Kam Yin YEUNG was appointed as an Executive Director on 6th November, 2002 and Mr. Andy Lee Ming CHEUNG was appointed as an Executive Director on 16th July, 2003. Mr. Alan Chi Hung CHAN resigned as an Executive Director on 25th July, 2003. Mr. Eddie Wing Chuen HO Junior was appointed as an Executive Director on 6th August, 2003.

From 6th August, 2003, Mr. Eddie Ping Chang HO was redesignated as Vice Chairman and Managing Director and Mr. Thomas Jefferson WU was redesignated as Deputy Managing Director of the Company.

The Board would like to express appreciation to Mr. LI and Mr. CHAN for their valuable contribution to the Group in the past. The Board also congratulate and welcome the appointees and new directors for joining the Board.

In accordance with the Company's Articles of Association, Ms. Linda Lai Chuen LOKE, Messrs. Lawrence Sai Kit MIAO, Colin Henry WEIR, David Yau-gay LUI, Albert Kam Yin YEUNG, Mr. Andy Lee Ming CHEUNG and Mr. Eddie Wing Chuen HO Junior will retire at the forthcoming Annual General Meeting and all of them, except Mr. Lawrence Sai Kit MIAO, being eligible, offer themselves for re-election.

Profile of Directors and Senior Management

Sir Gordon Ying Sheung WU* KCMG, FICE

Aged 67, he is the Chairman of the Board of the Company. He graduated from Princeton University with a Bachelor of Science degree in engineering in 1958. As one of the founders of the Group, he was the Managing Director from 1972 to 2002 when he became the Chairman. He was responsible for the Group's infrastructure projects in the PRC and South-East Asia and has been involved in the design and construction of numerous buildings and development projects in Hong Kong and the PRC. He is also the Chairman of Hopewell Highway Infrastructure Limited, a newly listed subsidiary of the Company, and an independent non-executive director of i-Cable Communications Limited.

He is very active in civic activities, his civic duties include:

In Hong Kong

- Member Commission on Strategic Development of the Hong Kong SAR
- Member Hong Kong Logistic Development Council
- Advisor Urban Renewal Authority
- Member Hong Kong Trade Development Council
- Chairman Hong Kong Polytechnic University Council
- Vice President Hong Kong Real Estate Developer's Association

In the PRC

- Member Chinese People's Political Consultative Conference
- Advisor Xiamen Special Economic Zone, Guangxi Zhuang Autonomous Region and Qinhuangdao

International

- Member Business Advisory Council to the International Finance Corporation of the World Bank Group
- Member APEC Business Advisory Council (ABAC)
- Member International Advisory Board of the Institute for International Business Communication, Japan
- Fellow The Institute of Civil Engineers

Sir Gordon received Honorary Doctorate Degrees from Hong Kong Polytechnic University, University of Strathclyde UK and University of Edinburgh UK.

His other awards include:

Honorary Citizen

- The City of New Orleans, USA
- The City of Guangzhou, PRC
- The City of Shunde, PRC
- The City of Nanhai, PRC
- The City of Shenzhen, PRC
- The City of Hua Du, PRC
- The Province of Quezon, the Republic of the Philippines

Awards and Honours

Year of Award

- | | |
|---|------|
| • Honorary Consul of The Republic of Croatia in the HKSAR | 2002 |
| • Knight Commander of the Order of St Michael and St George for Services to British Exports by the Queen of England | 1997 |
| • Chevalier De L'Ordre De La Corona by the King of Belgium | 1985 |
| • Industry All-Star by Independent Energy, USA | 1996 |
| • International CEO of the Year by George Washington University, USA | 1996 |
| • Among the Best Entrepreneurs by Business Week | 1994 |
| • Man of the Year by the International Road Federation, USA | 1994 |
| • Business Man of The Year by the South China Morning Post and DHL | 1991 |
| • Asia Corporate Leader by Asia Finance Magazine, HK | 1991 |

Mr. Eddie Ping Chang HO*

Aged 71, he is Vice Chairman and Managing Director of the Company. He was Deputy Managing Director when the Company was listed on the Stock Exchange in 1972. In 2002, he was appointed Managing Director. He has been involved in developing all of the Group projects in the PRC, including highway, hotel and power station projects. In addition, he has extensive experience in building and development projects in Hong Kong. He is a Honorary Citizen of the cities of Shenzhen and Shunde in the PRC. He is also the Vice Chairman of Hopewell Highway Infrastructure Limited, a newly listed subsidiary of the Company.

Mr. Josiah Chin Lai KWOK*

Aged 52, he was appointed Deputy Managing Director of the Company in January 2002. He is a solicitor. Previously, he worked as a consultant to the Group on various important projects such as Guangzhou-Shenzhen-Zhuhai Superhighway, Shajiao B and C Power Stations etc. Afterwards, he worked as Secretary for The Hong Kong Association of Banks, Legal Advisor of The Airport Authority, Hong Kong and Compliance Officer of the BNP Paribas Peregrine Group.

Mr. Thomas Jefferson WU*

Aged 31, he was appointed Deputy Managing Director of the Company in August 2003. He joined the Group in 1999 as the Manager of Executive Committee Office and was promoted to Group Controller in March 2000. He was appointed an Executive Director of the Company in June 2001 and the Chief Operating Officer in January 2002. He holds a Master of Business Administration degree from Stanford University and a bachelor degree in Mechanical and Aerospace Engineering from Princeton University. He has been involving in the review of the Group's operational performance, strategic planning and organizational effectiveness. He has also improved the financial and management accounting of the Group. He is a son of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU. He is also the Managing Director of Hopewell Highway Infrastructure Limited, a newly listed subsidiary of the Company.

Mr. Henry Hin Moh LEE

Aged 76, he has been involved with the Group since the Company was listed in 1972. He is a Non-Executive Director and a Consultant of the Company. Prior to his retirement from his executive duties of the Company in December 2001, he was responsible for real estate development and property rental and sales of the Group. He was actively engaged in the property business in Hong Kong. He is a Honorary Citizen of the city of Shunde in the PRC.

Mr. Robert Van Jin NIEN*

Aged 56, he has been an Executive Director since 1980, and is responsible for corporate finance, corporate and public affairs of the Group. He has been involved in the Group's major fund raising activities on both project and corporate levels. He holds a Master of Business Administration degree from University of Pennsylvania's Wharton Graduate Business School.

Mr. Guy Man Guy WU

Aged 46, he joined the board in 1987. He has a Bachelor of Science degree in industrial engineering from Purdue University, U.S.A. He is also the Managing Director of the Liverton Group and Video Channel Productions Limited.

Lady Ivy Sau Ping KWOK WU JP

Aged 54, she joined the board in 1991. She serves on the committees and boards of numerous commercial and social organizations including Asian Cultural Council (Hong Kong), Asia Society and Hong Kong Red Cross. She was appointed a Justice of the Peace effective 1st July, 2002. She is the wife of Sir Gordon Ying Sheung Wu.

Ms. Linda Lai Chuen LOKE

Aged 65, she joined the board in 1991. A graduate of the University of California at Berkeley, she has over 30 years of professional experience in the securities and investment field. She was the emeritus Managing Director of Dean Witter Reynolds (Hong Kong) Limited and Vice President (Private Wealth Management) at Morgan Stanley Inc.

Mr. Lawrence Sai Kit MIAO

Aged 39, he was appointed as an Executive Director of the Company in 1994 and was involved in financing activities as well as new project developments. Since 1997, his role in the Company was changed to an Independent Non-Executive Director. He is presently a founder and the Managing Director of Olympus Capital Holdings Asia, one of the largest direct investment firms in Asia. He holds a Master of Business Administration degree from Stanford Graduate School of Business Administration and an A.B. degree from Woodrow Wilson School for International Affairs of Princeton University.

Mr. Albert Kam Yin YEUNG*

Aged 52, he was appointed as an Executive Director of the Company in November 2002. Prior to joining the Group, he was a director of WMKY Limited from 1986 to 1998 and acted as a consultant of the Group's recent construction projects. He has a Bachelor of Architecture degree from the University of Hong Kong. He is a Registered Architect, an Authorized Person and a member of the Hong Kong Institute of Architects and various professional bodies.

Mr. Colin Henry WEIR*

Aged 57, he joined the Group in 1985 and was appointed as an Executive Director in 1997. He is also a Director of Hopewell (Thailand) Limited. He became a member of the Institution of Civil Engineers in 1975. He was the Engineering Manager for the design and construction of power station and highway. In 1991, he became the Engineering Manager and subsequently Project Director for the BERTS project. He is now responsible for the overseas projects of the Group.

Mr. David Yau-gay LUI*

Aged 58, he was appointed as an Executive Director in 1997. He is also a Director of Hopewell (Thailand) Limited. He was the Founder Director of Pat Davie Ltd., one of the leading interior design and contracting firms in Hong Kong. Since 1990, he has been involved in Hopewell's BERTS project in Thailand.

Mr. Carmelo Ka Sze LEE

Aged 43, he was appointed as an Independent Non-Executive Director in March 2001. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries, which firm rendered professional services to the Group and received normal remuneration for such services.

Mr. Andy Lee Ming CHEUNG*

Aged 37, he was appointed as an Executive Director in July 2003. He joined the Group in 1997. He has a Bachelor degree in Business Administration from Boston University and a Master of Business Administration degree from McMaster University. He is a Certified Public Accountant of the State of Illinois in the United States. He is involved in the Group's financial activities and development and control of the Group's investments in power project in Indonesia. He has considerable experience in the areas of business development, finance and audit.

Mr. Eddie Wing Chuen HO Junior*

Aged 34, he was appointed as an Executive Director in August 2003. He joined the Group in 1994. He holds a Bachelor of Arts Degree from California State University in the U.S.A. He is a son of Mr. Eddie Ping Chang HO. He has held various management positions, including Director of Marketing and Sales and Deputy General Manager, at the Group's Hongkong International Trade and Exhibition Centre in Kowloon Bay.

*Note: * Executive Directors*

Senior Management

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

Directors' Interest in Contracts

Mr. Victor Tzar Kuoi LI is a director of Cheung Kong Infrastructure Holdings Limited ("CKI Infrastructure"). As discussed in note 20(b) to the financial statements, a subsidiary of the Company entered into agreements with a subsidiary of CKI Infrastructure and the PRC partner for the development of the Guangzhou East-South-West Ring Road in Guangzhou, the PRC.

Save as aforementioned, no contracts of significance to which the Company or any of its subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests

As at 30th June, 2003, the interests and short positions of the directors and chief executives of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which required notification pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

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

Directors	Shares				Equity derivatives (vii)	Total interest	Total interests as percentage of shares in issue
	Personal interest (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (ii) (interests of controlled corporation)	Other interests (vi)			
Gordon Ying Sheung WU	62,494,032	21,910,000 (iii)	111,250,000 (iv)	30,680,000	–	226,334,032	25.84
Eddie Ping Chang HO	19,360,000	246,000	2,050,000	–	–	21,656,000	2.47
Josiah Chin Lai KWOK	–	–	–	–	3,000,000	3,000,000	0.34
Thomas Jefferson WU	24,350,000	–	820,000	–	2,500,000	27,670,000	3.16
Henry Hin Moh LEE	2,795,322	–	–	–	–	2,795,332	0.32
Robert Van Jin NIEN	100,000	–	–	–	1,000,000	1,100,000	0.12
Guy Man Guy WU	2,645,650	–	–	–	–	2,645,650	0.30
Ivy Sau Ping Kwok WU	21,910,000	112,554,032 (v)	61,190,000	30,680,000	–	226,334,032	25.84
Linda Lai Chuen LOKE	–	1,308,981	–	–	–	1,308,981	0.15
David Yau-gay LUI	8,537	–	–	–	–	8,537	0
Alan Chi Hung CHAN <i>(resigned on 25th July, 2003)</i>	–	–	–	–	1,000,000	1,000,000	0.11

Notes:

- (i) All interests in the Shares and underlying shares of equity derivatives of the Company are long positions. None of the directors or chief executives held any short position in the Shares and underlying shares of equity derivatives of the Company.
- (ii) These Shares were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The family interests of 21,910,000 Shares represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.
- (iv) The corporate interests of 111,250,000 Shares represented the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure included 61,190,000 Shares held by Lady Ivy Sau Ping KWOK WU through corporations.
- (v) The family interests of 112,554,032 Shares represented the interests of Sir Gordon Ying Sheung WU, the husband of Lady Ivy Sau Ping KWOK WU. This figure includes 50,060,000 Shares held by Sir Gordon Ying Sheung WU through corporations.
- (vi) The other interests of 30,680,000 Shares represented the interests held by Sir Gordon Ying Sheung WU jointly with Lady Ivy Sau Ping KWOK WU.
- (vii) These represented interests of options granted to directors under the Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options".

(b) Beneficial Interests and Short Positions in the shares in Associated Corporations

- (i) Mr. Eddie Ping Chang HO together with his associate beneficially owned 100% of the issued share capital of Hong Kong Insurance Agency Limited which in turn owned 600,000 ordinary shares of HCNH Insurance Brokers Limited, an associated company of the Company, representing one-half of its issued share capital.
- (ii) Certain directors held shares in certain subsidiaries as nominees for their holding companies.
- (iii) None of the directors or chief executives held any short position in shares of associated corporations.

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

As at 30th June, 2003, none of the Directors or chief executives has any beneficial interest and short positions in underlying shares of equity derivatives of associated corporations.

(d) Beneficial interests in debentures in associated corporations

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

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund (“MPF”) Scheme Ordinance, the Group has set up the MPF Schemes. 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.

During the year, the Group made contributions to the MPF Schemes amounted to HK\$7,014,000.

Share Options

The Company has a share option scheme which was approved by the shareholders for adoption on 11th October, 1994 (the “Option Scheme”) for granting options to any executive directors and employees of the Company or any of its subsidiaries. The purpose of the Option Scheme is to give an interest to executive directors and employees of the Company or any of its subsidiaries in preserving and maximizing shareholder value in the long term. It also enables the Company to attract and retain experienced and capable individuals by providing them with incentives for future performance.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has amended certain provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in relation to share option scheme and the new provisions came into effect on 1st September, 2001. Under the transitional arrangement, the Company may continue to grant options under the Option Scheme so long as such grants are in compliance with the requirements of the Listing Rules.

Under the Option Scheme and the requirements of the amended Listing Rules, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) under the Option Scheme of the Company will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum entitlement of each participant under the Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company. As at the date of this report, a total of 78,059,114 shares (representing approximately 9.04% of the issued share capital of the Company as at 11th October, 1994) are available for issue under the Option Scheme.

The period under which an option may be exercised will be determined by the Board of Directors of the Company in its discretion, save that an option may not be exercised earlier than 6 months after the date of grant (i.e. the date on which the option is accepted) and shall expire not later than 10 years after the date of grant. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share in the Company.

The Option Scheme will expire on 10th October, 2004.

Particulars of the options held by the executive directors of the Company and employee granted under the Option Scheme are as follows:-

	Date of grant	Balance of options at 1/7/2002	Balance of options at 30/6/2003	Exercise price (HK\$)	Exercise period
<i>Directors</i>					
Josiah Chin Lai KWOK	28/3/2002	3,000,000	3,000,000	6.15	28/9/2002-27/9/2005
Thomas Jefferson WU	3/4/2002	2,500,000	2,500,000	6.15	3/10/2002-2/10/2005
Robert Van Jin NIEN	1/4/2002	1,000,000	1,000,000	6.15	1/10/2002-30/9/2005
Alan Chi Hung CHAN (resigned on 25th July, 2003)	2/4/2002	1,000,000	1,000,000	6.15	2/10/2002-1/10/2005
Employee	2/4/2002	800,000	800,000	6.15	2/10/2002-1/10/2005

During the year under review, no option was granted, exercised or cancelled by the Company.

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous section headed “Share Options”, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Employees

There were approximately 1,100 employees in the Group as at 30th June 2003. The Group continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Various benefits include medical and personal accident insurance coverage are also provided to employees. In addition, training programs are conducted on an ongoing basis throughout the Group. Share options may be granted at the discretion of the Board of Directors to employees as appropriate.

Service Contracts of Directors

No directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

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

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

Substantial Shareholders

Save as disclosed under the section headed “Directors’ Interests”, as at 30th June, 2003, the Company had not been notified by any person, not being a Director, of interests in the share capital of the Company required to be recorded in the register under Section 336 of the SFO.

Code of Best Practice

The Company has complied with The Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year under review.

Practice Note 19 of the Listing Rules

The information required to be disclosed in accordance with Practice Note 19 of the Listing Rules is set out on page 39.

Post Balance Sheet Events

Details of the post balance sheet events are set out in note 42 to the financial statements.

Auditors

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU KCMG, FICE
Chairman

Hong Kong, 8th September, 2003



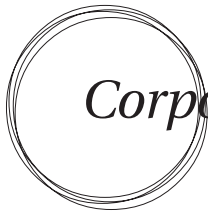
Practice Note 19 of the Listing Rules

The Company through its subsidiaries has entered into contractual joint venture agreements and has undertaken substantial investments for development of certain infrastructure and property projects. The capital investments and advances made to the joint venture companies and associates (“the Affiliated Companies”) were classified and disclosed under the headings “Interests in Jointly Controlled Entities” and “Interests in Associates” in the consolidated balance sheet as at 30th June, 2003.

A proforma combined balance sheet of the Affiliated Companies as at 30th June, 2003, is presented below:

	<i>Combined total</i>	<i>Funds injected by the Group</i>
	<u>HK\$ million</u>	<u>HK\$ million</u>
Total assets	20,697	
Financed by:		
Registered capital/share capital	1,901	1,140
Reserves	113	
Accumulated losses	(379)	
	<u>1,635</u>	
Long term liabilities		
– Advances from shareholders/ joint venture partners/ related companies	7,575	2,097
– Other long-term loans	10,061	
	<u>17,636</u>	
Current liabilities	1,426	41
Total equity and liabilities	20,697	3,278

* With the exception of the investment in a property development joint venture which is immaterial, all property, plant and equipment, including essential production facilities, will be reverted to PRC joint venture partners without compensation at the end of the joint venture co-operation period. Disclosure of the attributable interests of the Group in the assets and liabilities of the Affiliated Companies is deemed not appropriate.



Corporate Information

Honorary Chairman

Dr. James Man Hon WU
OBE, JP, LLD (Hon), Dr Eng(Hon), BSc(Eng)

Board of Directors

Sir Gordon Ying Sheung WU* KCMG, FICE

Chairman

Mr. Eddie Ping Chang HO*

Vice Chairman & Managing Director

Mr. Josiah Chin Lai KWOK*

Deputy Managing Director

Mr. Thomas Jefferson WU*

Deputy Managing Director

Mr. Henry Hin Moh LEE

Mr. Robert Van Jin NIEN*

Mr. Guy Man Guy WU

Lady Ivy Sau Ping KWOK WU JP

Ms. Linda Lai Chuen LOKE

Mr. Lawrence Sai Kit MIAO

Mr. Albert Kam Yin YEUNG*

(appointed on 6th November, 2002)

Mr. Colin Henry WEIR*

Mr. David Yau-gay LUI*

Mr. Carmelo Ka Sze LEE

Mr. Andy Lee Ming CHEUNG*

(appointed on 16th July, 2003)

Mr. Eddie Wing Chuen HO Junior*

(appointed on 6th August, 2003)

** Executive directors*

Company Secretary

Mr. Peter Yip Wah LEE

Registered Office

64th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

Tel: (852) 2528 4975

Fax: (852) 2865 6276

(852) 2861 2068

(852) 2529 8602

Solicitors

Woo, Kwan, Lee & Lo

26th Floor, Jardine House

1 Connaught Place

Hong Kong

Auditors

Deloitte Touche Tohmatsu

26th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Principal Bankers*

Bank of China (Hong Kong) Limited

Bank of East Asia, Limited

BNP Paribas

Citibank, N.A.

The Development Bank of Singapore Limited

Hang Seng Bank Limited

The Hong Kong and Shanghai Banking

Corporation Limited

Industrial and Commercial Bank of China

(Asia) Limited

Liu Chong Hing Bank Limited

Mizuho Corporate Bank, Limited

Tai Fung Bank Limited

names arranged in alphabetical order

Registrars and Transfer Office

Computershare Hong Kong

Investor Services Limited

Rooms 1712-1716

Hopewell Centre

183 Queen's Road East

Hong Kong

ADR Depositary Bank

Citibank, N.A.

Depositary Receipts

20th Floor, 111 Wall Street

New York, NY 10005

United States of America

Toll free number: 1-877-248-4237

Email: citibank@shareholders-online.com

Web Page

www.hopewellholdings.com

Investor Relations

ir@hopewellholdings.com

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Report of the Auditors

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF HOPEWELL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 43 to 94 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

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

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

OPINION

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

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 8th September, 2003

Consolidated Income Statement

For the year ended 30th June, 2003

	Notes	2002 HK\$'000	2003 HK\$'000
Turnover	4	1,132,483	799,177
Cost of sales and services		(599,410)	(495,759)
Other operating income	6	533,073	303,418
Selling and distribution costs		72,518	121,326
Administrative expenses		(21,942)	(23,812)
Other operating expenses	7	(147,488)	(161,957)
Impairment loss on a power plant project written back	8	(40,504)	(110,301)
		–	366,000
Profit from operations	9	395,657	494,674
Profit on disposal of interest in a jointly controlled entity	10	191,385	–
Finance costs	11	(781,836)	(372,187)
Share of results of jointly controlled entities		513,920	687,974
associates		43,818	21,980
Profit from ordinary activities before taxation		362,944	832,441
Taxation	12	(13,355)	(115,459)
Profit before minority interests		349,589	716,982
Minority interests		(9,799)	(99,119)
Net profit for the year		339,790	617,863
Dividends	13	376,672	218,996
Earnings per share	14	HK cents	HK cents
Basic		38.8	70.5

Consolidated Balance Sheet

At 30th June, 2003

	<i>Notes</i>	<i>2002</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
ASSETS			
Non-current Assets			
Investment properties	16	5,986,300	5,655,400
Property, plant and equipment	17	1,119,407	1,492,652
Properties for or under development	19	832,491	1,018,336
Interests in jointly controlled entities	20	8,134,989	8,207,290
Interests in associates	21	98,345	77,523
Other projects and investments	22	494,970	220,966
Long-term receivables	23	588,005	276,052
Defeasance/pledged deposits	24	1,832,847	1,680,843
		19,087,354	18,629,062
Current Assets			
Inventories	25	9,696	8,588
Properties for sale		3,762	3,762
Trade and other receivables	26	158,652	111,876
Deposits and prepayments		183,497	227,127
Loans receivable – current portion	27	175,731	45,757
Amounts due from customers for contract work	28	11,927	323
Defeasance deposits	24	3,349,259	149,390
Bank balances and cash		145,149	694,604
		4,037,673	1,241,427
Total Assets		23,125,027	19,870,489

Consolidated Balance Sheet *(continued)*

At 30th June, 2003

	<i>Notes</i>	<i>2002</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	30	2,189,955	2,189,955
Reserves	31	11,604,265	11,509,285
		13,794,220	13,699,240
Minority Interests		20,468	125,101
Non-current Liabilities			
Long-term borrowings	32	4,200,055	3,692,975
Warranty provisions	38(a)	164,059	164,059
Amounts due to associates	34	31,814	17,786
		4,395,928	3,874,820
Current Liabilities			
Trade and other payables	29	1,224,954	1,075,960
Rental and other deposits		74,324	111,560
Amounts due to customers for contract work	28	15,679	14,423
Provision for taxation		203,061	242,906
Current portion of long-term borrowings	32	3,291,393	320,479
Bank loans			
Secured		45,000	156,000
Unsecured		60,000	250,000
		4,914,411	2,171,328
Total Liabilities		9,310,339	6,046,148
Total Equity and Liabilities		23,125,027	19,870,489

Josiah Chin Lai KWOK
Director

Thomas Jefferson WU
Director

Company Balance Sheet

At 30th June, 2003

	Notes	2002 HK\$'000	2003 HK\$'000
ASSETS			
Non-current Assets			
Interests in subsidiaries	18	13,420,221	13,298,847
Interests in associates	21	11,575	10,969
Other projects and investments	22	3,000	3,000
		13,434,796	13,312,816
Current Assets			
Trade and other receivables		253	3,207
Deposits and prepayments		2,960	3,050
Bank balances and cash		1,604	1,571
		4,817	7,828
Total Assets		13,439,613	13,320,644
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	30	2,189,955	2,189,955
Reserves	31	9,172,651	9,383,722
		11,362,606	11,573,677
Non-current Liabilities			
Amounts due to subsidiaries	33	2,006,317	1,649,080
Amounts due to associates	34	25,046	11,376
		2,031,363	1,660,456
Current Liabilities			
Trade and other payables		21,177	22,043
Provision for taxation		24,467	64,468
		45,644	86,511
Total Liabilities		2,077,007	1,746,967
Total Equity and Liabilities		13,439,613	13,320,644

Josiah Chin Lai KWOK
Director

Thomas Jefferson WU
Director

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2003

	<i>Total equity</i> <i>HK\$'000</i>
At 1st July, 2001	13,965,550
Decrease on revaluation of investment properties	(398,553)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	2,148
Share of reserves of jointly controlled entities and associates	(837)
Net losses not recognised in the income statement	(397,242)
Net profit for the year	339,790
Dividends paid	(113,878)
At 30th June, 2002	13,794,220
Decrease on revaluation of investment properties	(335,049)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	2,990
Share of reserves of jointly controlled entities and associates	4,648
Net losses not recognised in the income statement	(327,411)
Net profit for the year	617,863
Dividends paid	(385,432)
At 30th June, 2003	13,699,240

Consolidated Cash Flow Statement

For the year ended 30th June, 2003

	2002 HK\$'000	2003 HK\$'000
OPERATING ACTIVITIES		
Profit from operations	395,657	494,674
Adjustments for:		
Interest income from		
– jointly controlled entities	(202,157)	(58,409)
– defeasance and other bank deposits, loans and receivables	(54,018)	(95,592)
Dividends from unlisted investments	(467)	(962)
Depreciation of property, plant and equipment	7,636	8,912
Amortisation of cost of investments in jointly controlled entities	40,504	77,271
Impairment loss on a power plant project written back	–	(366,000)
Impairment loss on investment securities recognised	–	7,540
Unrealised holding loss on other investments	–	1,693
Gain on disposal of property, plant and equipment	(495)	(6,146)
(Gain) loss on repurchase of notes	(620)	3,509
Operating cash flows before movements in working capital	186,040	66,490
Decrease in inventories	621	1,108
Decrease in trade and other receivables, and deposits and prepayments	15,261	11,979
Increase (decrease) in trade and other payables, and rental and other deposits	18,260	(45,247)
(Increase) decrease in amounts due from customers for contract work	(7,407)	11,604
Decrease in amounts due to customers for contract work	(19,154)	(1,256)
Cash generated from operations	193,621	44,678
Hong Kong profits tax paid	(1,072)	(2,516)
Taxation elsewhere paid	(27,005)	(14,117)
Hong Kong profits tax refunded	2,817	116
NET CASH FROM OPERATING ACTIVITIES	168,361	28,161
INVESTING ACTIVITIES		
Interest received	6,789	52,253
Dividends received	21,397	257,360
Additions to investment properties	(4,379)	(4,149)
Additions to property, plant and equipment	(9,766)	(23,056)
Interests in associates	(874)	572
Advances from associates	8,149	2,386
Investments in and loans to jointly controlled entities	5,073	(268,804)
Repayments of loans by jointly controlled entities	6,469,185	553,387
Increase in other projects and investments	(42,096)	(19,748)
Repayment from other projects and investments	–	281,339
Acquisition of properties for or under development	(126,322)	(127,164)
Net proceeds on disposal of		
– property, plant and equipment	2,203	13,045
– interest in a jointly controlled entity	96,226	–
(Increase) decrease in defeasance deposits	(5,086,602)	3,349,629
Decrease in bank deposits pledged	–	2,244
(Increase) decrease in long-term receivables	(92,099)	464,282
NET CASH FROM INVESTING ACTIVITIES	1,246,884	4,533,576

Consolidated Cash Flow Statement *(continued)*

For the year ended 30th June, 2003

	2002 HK\$'000	2003 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(575,764)	(387,921)
Loan arrangement fees and bank charges paid	(13,478)	(8,621)
Dividends paid to		
– shareholders	(113,878)	(385,432)
– minority shareholders of subsidiaries	(762)	(250)
Capital contribution from minority shareholders	–	5,764
New bank and other loans	962,073	363,558
Repayment of bank and other loans	(1,621,614)	(516,704)
Repurchase of notes	(77,380)	(42,499)
Redemption of notes payable	–	(2,902,341)
Early redemption premium paid	–	(148,745)
Warranties paid	(234,000)	–
NET CASH USED IN FINANCING ACTIVITIES	(1,674,803)	(4,023,191)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(259,558)	538,546
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	393,794	145,149
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	10,913	10,909
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, Representing Bank Balances and Cash	145,149	694,604

Notes to the Financial Statements

For the year ended 30th June, 2003

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are investment in infrastructure projects, property development and investment, property agency and management, hotel operations and management, restaurant operations and food catering, construction and project management.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants (“HKSA”) which has resulted in the adoption of the following new and revised accounting policies. The adoption of these Standards has resulted in a change in the format of presentation of the cash flow statement and the introduction of the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods.

Foreign Currencies

The revisions to SSAP 11 – *Foreign Currency Translation* have eliminated the choice of translating the income statements of subsidiaries, jointly controlled entities and associates operating outside Hong Kong at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) – *Cash Flow Statements*. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received, finance charges and interest paid, and dividends paid or received, which were previously presented under a separate heading, are classified as either investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The comparative amounts shown in the cash flow statement have been reclassified to conform with the current year’s presentation.

Employee Benefits

In the current year, the Group has adopted SSAP 34 – *Employee Benefits*, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of the subsidiaries, jointly controlled entities and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiary, jointly controlled entity or associate at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of a jointly controlled entity or an associate is included within the carrying amount of the jointly controlled entity or associate.

Negative goodwill arising on acquisition is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets. Negative goodwill arising on the acquisition of a jointly controlled entity or an associate is deducted from the carrying value of that jointly controlled entity or associate.

Subsidiaries

In the Company's balance sheet, investments in subsidiaries are stated at cost less any identified impairment losses.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 and over which none of the participating parties has unilateral 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 consolidated income statement includes the Group's share of the post-acquisition results of its jointly controlled entities for the year. In the consolidated balance sheet, investments in jointly controlled entities are stated at cost less amortisation and any identified impairment losses plus the Group's attributable share of the undistributed post-acquisition reserves of the jointly controlled entities. The cost of investments in jointly controlled entities comprises capital contributed, development expenditure incurred by the Group, financial expenses capitalised less interest income on advances to jointly controlled entities deferred to the extent of the Group's interest therein during the development stage of the projects undertaken by the jointly controlled entities.

The cost of investments, to the extent not borne by the jointly controlled entities, is amortised over the joint venture period on the same basis as that adopted by the relevant jointly controlled entity in respect of depreciation of its project cost, commencing from the date of operation of the project undertaken.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates calculated based on their financial statements made up to a date not more than six months before the balance sheet date. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost less any identified impairment losses.

Other projects and investments

Development expenditure incurred under the terms of a concession agreement for the investment in a superstructure project during development stage is carried at cost less any identified impairment losses. Development expenditure includes construction costs, other incidental costs incurred and attributable borrowing costs.

Other project under development is carried at cost less any identified impairment losses. Cost comprises development expenditure, other attributable expenses and, where appropriate, borrowing costs capitalised.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Other projects and investments *(continued)*

Investment securities, which are securities held for an identified long term purpose, are measured at reporting dates at cost less any identified impairment losses.

Other investments, comprising listed equity securities, are carried at market value, with unrealised gains and losses included in net profit or loss for the year.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less, where appropriate, depreciation and any identified impairment losses. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

It is the Group's practice to maintain its hotel property in a continual state of sound repairs and maintenance and to make improvements from time to time, accordingly the directors consider that depreciation is not necessary as the property maintains a residual value at least equal to its carrying amount. Repairs and maintenance expenditure is charged to the income statement when incurred.

No depreciation has been provided on the power plant, the development of which has been suspended.

Depreciation is provided to write off the cost of other property, plant and equipment in use over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Category of assets	Estimated useful lives
Leasehold land	Over the term of the lease
Buildings	50 years or the remaining term of the land lease, whichever is shorter
Other assets	3 to 10 years

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Development properties

Properties held for or under development are stated at cost less any identified impairment losses. The cost of properties comprises land cost, development expenditure, other attributable expenses and, where appropriate, borrowing costs capitalised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Properties for sale

Properties for sale are stated at the lower of cost, comprising land and development costs, and net realisable value.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Construction contracts *(continued)*

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

Operating leases

Operating leases are leases whereby substantially all the risks and rewards of ownership of the assets remain with the lessors. Rentals payable (receivable) under operating leases are charged (credited) to the income statement on a straight line basis over the terms of the respective leases.

Foreign currencies

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

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Notes payable

Unsecured notes payable are separately disclosed and regarded as liabilities. The note issue expenses, which represent the discount on issue of notes and expenses incurred directly in connection with the issue, are deferred and amortised over the period of the notes so as to produce a constant periodic rate of charge on the carrying amount of the notes.

If any of the notes outstanding are repurchased by the Group prior to their maturity date, any gain or loss, representing the difference between the purchase price and the principal amount of the notes repurchased together with the related unamortised note issue expenses and outstanding interest thereon, is dealt with in the income statement. The Group's liability in respect of notes payable is presented net of the principal amount of notes repurchased.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Capitalisation of borrowing costs

Borrowing costs, including project financing costs, directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Project financing costs, which represent all origination costs, including arrangement fees, legal fees and other related costs, directly associated with the arrangement of loans intended to finance the development and construction of a viable project, are deferred and amortised over the terms of the loans.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

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

Revenue recognition

Lease of properties

Rental income in respect of properties under operating leases is recognised on a straight line basis over the respective lease term.

Property agency and management

Revenue from the provision of property agency and management services is recognised when the relevant services are provided.

Hotel operations and management

Revenue from hotel operations and management is recognised when the relevant services are provided.

Restaurant operation and food catering

Revenue from restaurant operation and food catering services is recognised when goods are delivered and services are provided.

Construction and project management

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract can be estimated reliably, revenue from cost-plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fees earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Income from project management is recognised when the relevant services are provided and the right to receive payment is established.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income

Interest income from bank deposits, advances to jointly controlled entities undertaking infrastructure project investments, and loans receivable is recognised on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income

Dividend from investments is recognised when the Group's rights to receive payment have been established.

Sales of investments

Revenue from sales of investments is recognised when the relevant sale contract becomes unconditional.

4. TURNOVER

Turnover comprises income from infrastructure project investments, property letting, property agency and management, hotel operations and management, restaurant operations and food catering, and construction and project management, and is analysed as follows:

	2002 HK\$'000	2003 HK\$'000
Infrastructure project investments	222,738	74,277
Property letting, agency and management	354,176	328,287
Hotel operations and management	132,893	115,481
Restaurant operations and food catering	116,784	109,449
Construction and project management	276,515	171,683
Other activities	29,377	–
	1,132,483	799,177

Note: The turnover from infrastructure project investments shown above includes interest income from jointly controlled entities of approximately HK\$58 million (2002: HK\$202 million).

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

The businesses based upon which the Group reports its primary segment information are as follows:

Infrastructure project investments	–	investments in highway infrastructure projects
Property investment	–	property letting, agency and management
Hotel operations	–	hotel operations and management
Restaurants and catering	–	restaurant operations and food catering
Construction	–	construction and project management

Segment information about these businesses is presented below.

Segment turnover

Year ended 30th June, 2003

	2002			2003		
	<i>External</i> <i>HK\$'000</i>	<i>Inter-segment</i> <i>HK\$'000</i>	<i>Consolidated</i> <i>HK\$'000</i>	<i>External</i> <i>HK\$'000</i>	<i>Inter-segment</i> <i>HK\$'000</i>	<i>Consolidated</i> <i>HK\$'000</i>
Infrastructure project investments	222,738	–	222,738	74,277	–	74,277
Property investment	354,176	22,402	376,578	328,287	21,435	349,722
Hotel operations	132,893	446	133,339	115,481	223	115,704
Restaurants and catering	116,784	1,255	118,039	109,449	1,042	110,491
Construction	276,515	4,289	280,804	171,683	4,694	176,377
Other operations	29,377	–	29,377	–	–	–
Eliminations	–	(28,392)	(28,392)	–	(27,394)	(27,394)
Total turnover	1,132,483	–	1,132,483	799,177	–	799,177

Inter-segment revenue was charged at prices determined by management with reference to market prices.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business Segments *(continued)*

Segment results

Year ended 30th June, 2003

	2002				2003			
	Company and subsidiaries	Jointly controlled entities	Associates	Total	Company and subsidiaries	Jointly controlled entities	Associates	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Infrastructure project investments	161,153	515,594	-	676,747	(25,579)	661,334	-	635,755
Property investment	229,700	-	3,992	233,692	205,548	6,861	4,205	216,614
Hotel operations	16,991	-	9,407	26,398	7,255	-	13,623	20,878
Restaurants and catering	876	-	-	876	(1,966)	-	-	(1,966)
Construction	(26,651)	-	3,732	(22,919)	(33,886)	-	(6)	(33,892)
Other operations	17,046	(1,674)	26,687	42,059	(28,786)	19,779	4,158	(4,849)
Segment results from operations	399,115	513,920	43,818	956,853	122,586	687,974	21,980	832,540

Year ended 30th June, 2003

	2002 HK\$'000	2003 HK\$'000
Segment results		
Company and subsidiaries		
– Operations	399,115	122,586
– Impairment loss on a power plant project written back	-	366,000
	399,115	488,586
Interest and other income	54,640	97,531
Unallocated corporate and other expenses	(58,098)	(91,443)
Profit from operations	395,657	494,674
Profit on disposal of interest in a jointly controlled entity	191,385	-
Finance costs	(781,836)	(372,187)
Share of results of jointly controlled entities	513,920	687,974
associates	43,818	21,980
Profit before taxation	362,944	832,441
Taxation	(13,355)	(115,459)
Profit before minority interests	349,589	716,982
Minority interests	(9,799)	(99,119)
Net profit for the year	339,790	617,863

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business Segments *(continued)*

Assets and liabilities

At 30th June, 2003

	<i>Consolidated assets</i>				<i>Consolidated total liabilities</i> <i>HK\$'000</i>
	<i>Company and subsidiaries</i> <i>HK\$'000</i>	<i>Interests in jointly controlled entities</i> <i>HK\$'000</i>	<i>Interests in associates</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>	
Infrastructure project investments	185,238	7,801,489	10,566	7,997,293	30,906
Property investment	5,685,649	–	30,193	5,715,842	108,527
Hotel operations	657,395	3,628	37,433	698,456	29,953
Restaurants and catering	18,344	–	–	18,344	8,985
Construction	65,526	–	7,336	72,862	137,245
Other operations (Note)	2,071,788	443,494	–	2,515,282	775,545
Segment assets/liabilities	8,683,940	8,248,611	85,528	17,018,079	1,091,161
Defeasance deposits				1,736,973	–
Unsecured notes payable				–	1,467,267
Other assets/liabilities				1,115,437	3,487,720
				19,870,489	6,046,148

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business Segments *(continued)*

Assets and liabilities *(continued)*

At 30th June, 2002

	Consolidated assets				Consolidated total liabilities HK\$'000
	Company and subsidiaries HK\$'000	Interests in jointly controlled entities HK\$'000	Interests in associates HK\$'000	Total HK\$'000	
Infrastructure project investments	457,361	7,752,946	10,671	8,220,978	22,351
Property investment	6,019,283	–	29,540	6,048,823	102,184
Hotel operations	636,710	–	40,686	677,396	25,831
Restaurants and catering	21,225	–	–	21,225	10,223
Construction	137,037	–	10,560	147,597	222,633
Other operations (Note)	1,534,865	435,517	342	1,970,724	712,077
Segment assets/liabilities	8,806,481	8,188,463	91,799	17,086,743	1,095,299
Defeasance deposits				5,086,602	–
Unsecured notes payable				–	4,501,724
Other assets/liabilities				951,682	3,713,316
				23,125,027	9,310,339

Note: Included in other operations shown above are the assets and liabilities attributable to the Group's overseas infrastructure projects which have been suspended amounted to approximately HK\$1,209 million (2002: HK\$848 million) and HK\$722 million (HK\$693 million) respectively.

The Group's total assets less current liabilities and the Group's net current liabilities at the balance sheet date amounted to HK\$17,699,161,000 (2002: HK\$18,210,616,000) and HK\$929,901,000 (2002: HK\$876,738,000) respectively.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business Segments *(continued)*

Other Information

	2002			2003		
	Capital additions	Depreciation and amortisation	Other non-cash expenses	Capital additions	Depreciation and amortisation	Other non-cash expenses
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Infrastructure project investments	221	40,599	–	159	77,415	–
Property investment	7,142	2,973	1,372	12,180	2,749	208
Hotel operations	2,388	418	410	11,483	1,701	120
Restaurants and catering	3,260	1,700	96	1,052	1,443	160
Construction	693	1,197	18	944	834	–

Geographical Segments

The Group's property investment, hotel operations, restaurants and catering, and construction activities are carried out in Hong Kong. All the infrastructure project investments are located in the Mainland China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical markets:

	Turnover	
	2002	2003
	HK\$'000	HK\$'000
Hong Kong	881,345	719,518
The PRC	251,138	79,659
	1,132,483	799,177

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical Segments *(continued)*

The following is an analysis of the carrying amounts of segment assets and additions to investment properties and property, plant and equipment, analysed by the geographical areas in which the assets are located:

	<i>Carrying amount of assets</i>		<i>Additions to investment properties and property, plant and equipment</i>	
	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	7,459,735	7,106,788	14,145	25,382
The PRC	9,452,082	9,473,584	–	1,823
Indonesia	752,296	1,148,593	–	–
United States of America	5,133,831	1,823,853	–	–
Republic of Malta	150,450	159,716	–	–
Other regions	176,633	157,955	–	–
	23,125,027	19,870,489	14,145	27,205

6. OTHER OPERATING INCOME

	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other operating income are:		
Interest from defeasance and other bank deposits, loans and receivables	54,018	95,592
Dividends from unlisted investments	467	962
Gain on repurchase of notes	620	–

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

7. OTHER OPERATING EXPENSES

	2002 HK\$'000	2003 HK\$'000
Amortisation of cost of investments in jointly controlled entities	40,504	77,271
Charitable donations	–	20,288
Impairment loss on investment securities recognised	–	7,540
Unrealised holding loss on other investments	–	1,693
Loss on repurchase of notes	–	3,509
	40,504	110,301

8. IMPAIRMENT LOSS ON A POWER PLANT PROJECT WRITTEN BACK

Pursuant to the Umbrella Purchase Agreement entered into between a subsidiary, P.T. Hi Power Tubanan 1 (“HIPT”), and Sumitomo Corporation group of companies (the “Purchasers”), HIPT agreed to sell the plant and machinery and other assets attributable to the Tanjung Jati B Power Station to the Purchasers for an aggregate cash consideration of US\$306.2 million. The consideration is payable by instalments over a period of 39 months from the settlement date, being the date on which the relevant disposal agreements have become unconditional and the first drawdown under the loan agreements entered into between the Purchasers and the lenders has occurred. The disposal was completed subsequent to the balance sheet date and the first instalment of US\$144.5 million was received and recognised by the Group on 5th August, 2003. However, the timing and ultimate receipt of the remaining instalments could be materially affected by the occurrence of certain events stipulated in the loan agreements and the finance lease agreements entered into by the Purchasers, including, inter alia, force majeure events, which have a material adverse effect on the construction of the power plant resulting in the cancellation by the lenders of the project loan facilities granted to the Purchasers. The remaining instalments will therefore not be recognised by the Group until such instalments are received. The provision for impairment loss previously made against the cost of the power plant to the extent of HK\$366 million has been written back in the current year, which was calculated by reference to the amount recovered subsequent to the year end date, being the first instalment received.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

9. PROFIT FROM OPERATIONS

	2002 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	4,328	4,497
Depreciation of property, plant and equipment	7,636	8,912
Allowances for doubtful trade receivables	1,896	488
Rentals in respect of properties under operating leases	624	1,025
Staff costs (including directors' emoluments)	206,815	199,045
Exchange losses, net	65	1,700
Rental income in respect of land and buildings under operating leases, less outgoings of HK\$118,153,000 (2002: HK\$112,590,000)	(234,842)	(202,484)

10. PROFIT ON DISPOSAL OF INTEREST IN A JOINTLY CONTROLLED ENTITY

The prior year's profit was derived from the disposal of the Group's interest in a jointly controlled entity, Shenzhen Huanghe Real Estate Development Company Limited, which was engaged in the development of a property project in Huanggang, Shenzhen of the PRC.

11. FINANCE COSTS

	2002 HK\$'000	2003 HK\$'000
Interest on:		
Bank loans and overdrafts	124,911	87,651
Notes wholly payable within five years	447,178	186,498
Other loans wholly repayable within five years	33,021	39,410
Total interest	605,110	313,559
Less: Amount capitalised on infrastructure projects	(6,000)	(6,000)
	599,110	307,559
Other finance costs		
Premium on early redemption of notes	112,528	36,217
Note issue expenses amortised	56,720	19,790
Loan arrangement fees and bank charges	13,478	8,621
	182,726	64,628
	781,836	372,187

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

12. TAXATION

	2002 HK\$'000	2003 HK\$'000
The (charge) credit comprises:		
The Company and subsidiaries		
Hong Kong profits tax		
Current year's provision	(2,644)	(18,704)
Underprovision in prior years	–	(30,000)
	(2,644)	(48,704)
Taxation elsewhere		
Current year's provision	(23,168)	(792)
Overprovision in prior years	83,712	–
	57,900	(49,496)
Jointly controlled entities		
Taxation elsewhere	(7,194)	(8,734)
Deferred taxation	(54,900)	(49,000)
	(62,094)	(57,734)
Associates		
Hong Kong profits tax	(864)	(810)
Taxation elsewhere	(8,297)	(7,419)
	(9,161)	(8,229)
	(13,355)	(115,459)

Provision for Hong Kong profits tax is calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the year. Taxes on profits assessable elsewhere are calculated at the rates prevailing in the countries in which the Group operates.

Prior year's overprovision of taxation elsewhere represents PRC withholding tax on the interest income on advances made to a jointly controlled entity written back following the finalisation of the agreement by a joint venture partner of the said jointly controlled entity to be responsible for payment of such tax.

Deferred tax has not been provided on the increase or decrease arising on revaluation of investment properties as the profits or losses arising from disposal of these assets would not be taxable or deductible. Accordingly, the valuation increase or decrease does not constitute a timing difference for deferred tax purposes.

Deferred taxation has not been accounted for by the Group as there are no material timing differences.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

13. DIVIDENDS

	2002 HK\$'000	2003 HK\$'000
Dividend paid		
Interim: HK 7 cents (2002: HK 6 cents) per share	52,559	61,319
Dividend proposed		
Final: HK 18 cents (2002: HK 7 cents) per share	61,319	157,677
Special: Nil (2002: HK 30 cents) per share	262,794	–
	376,672	218,996

The final dividend of HK 18 cents (2002: final dividend of HK 7 cents and special dividend of HK 30 cents) per share has been proposed by the directors and are subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$617,863,000 (2002: HK\$339,790,000) and on 875,982,121 (2002: 875,982,121) ordinary shares in issue during the year.

Diluted earnings per share for both years presented is not shown because the exercise price of the share options granted by the Company was higher than the average market price for shares in those years.

15. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Directors' fees	480	488
Basic salaries, allowances and benefits-in-kind	12,851	13,958
Performance related bonus	960	400
Contributions to provident funds	56	68
	14,347	14,914

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

15. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES *(continued)*

(a) Directors' emoluments *(continued)*

Emoluments of the directors are within the following bands:

	<i>2002</i> <i>Number of</i> <i>directors</i>	<i>2003</i> <i>Number of</i> <i>directors</i>
HK\$		
Nil – 1,000,000	7	8
1,000,001 – 1,500,000	4	3
1,500,001 – 2,000,000	5	4
3,000,001 – 3,500,000	–	1

Other than fees of HK\$129,000 (2002: HK\$150,000) paid or payable to the independent non-executive directors which have been included above, no remuneration was paid or is payable to such directors.

(b) Highest paid employees' emoluments

The five individuals in the Group with the highest emoluments are the directors of the Company. The emoluments of these five individuals for the year are analysed below:

	<i>The Group</i> <i>2002</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Directors' fees	110	190
Basic salaries, allowances and benefits-in-kind	8,313	9,609
Performance related bonus	810	400
Contributions to provident funds	50	48
	9,283	10,247

The emoluments of these five individuals are within the following bands:

	<i>2002</i> <i>Number of</i> <i>directors</i>	<i>2003</i> <i>Number of</i> <i>directors</i>
HK\$		
1,500,001 – 2,000,000	4	4
2,000,001 – 2,500,000	1	–
3,000,001 – 3,500,000	–	1

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

16. INVESTMENT PROPERTIES

	<i>The Group</i>	
	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties at valuation		
At beginning of the year	6,384,800	5,986,300
Additions during the year	4,379	4,149
Construction cost adjustment	(4,326)	–
Revaluation decrease	(398,553)	(335,049)
At end of the year	5,986,300	5,655,400

The net book value of the Group's investment properties comprises:

	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings in Hong Kong on		
Long leases	3,017,000	2,821,000
Medium-term leases	2,969,300	2,834,400
	5,986,300	5,655,400

The Group's investment properties were revalued at 30th June, 2003 on an open market value basis by FPD Savills (Hong Kong) Limited, an independent firm of professional property valuers. The decrease arising on revaluation has been charged to the investment property revaluation reserve (note 31).

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

17. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i>		<i>Power plant</i> <i>(note b)</i>	<i>Other assets</i>	<i>Total</i>
	<i>Hotel property</i>	<i>Other properties</i>			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP					
COST					
At 1st July, 2002	474,872	31,094	2,303,407	319,566	3,128,939
Additions	–	–	–	23,056	23,056
Disposals	–	(2,593)	–	(64,796)	(67,389)
At 30th June, 2003	474,872	28,501	2,303,407	277,826	3,084,606
DEPRECIATION AND IMPAIRMENT					
At 1st July, 2002	–	8,136	1,703,348	298,048	2,009,532
Provided for the year	–	535	–	8,377	8,912
Impairment loss written back (note 8)	–	–	(366,000)	–	(366,000)
Eliminated on disposals	–	(141)	–	(60,349)	(60,490)
At 30th June, 2003	–	8,530	1,337,348	246,076	1,591,954
NET BOOK VALUES					
At 30th June, 2003	474,872	19,971	966,059	31,750	1,492,652
At 30th June, 2002	474,872	22,958	600,059	21,518	1,119,407

Notes:

- The land and buildings are situated in Hong Kong on medium-term leases.
- The power plant, referred to as the Tanjung Jati B Power Station, is located in Central Java, Indonesia and its development has been suspended since 1998. The cost of the power plant includes the cost of land sites situated in Indonesia held on medium-term leases amounted to approximately HK\$146 million (2002: HK\$146 million). The Group has entered into agreements for the disposal of the power plant, details of which are set out in note 8.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

18. INTERESTS IN SUBSIDIARIES

	<i>The Company</i>	
	2002 HK\$'000	2003 HK\$'000
Unlisted shares		
At cost less impairment	147,162	14,789
At directors' 1972 valuation less amounts written off	12,245	3,245
	159,407	18,034
Amounts due from subsidiaries less allowances	13,260,814	13,280,813
	13,420,221	13,298,847

Details of the principal subsidiaries are set out in note 40.

19. PROPERTIES FOR OR UNDER DEVELOPMENT

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
COST		
At beginning of the year	952,571	1,122,491
Additions during the year	169,920	185,845
At end of the year	1,122,491	1,308,336
IMPAIRMENT		
At beginning and end of the year	(290,000)	(290,000)
NET BOOK VALUE	832,491	1,018,336

Included in the cost of properties for or under development is net interest capitalised totalling HK\$78.9 million (2002: HK\$76.3 million).

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Road and property projects in the PRC		
Unlisted investments, at cost	5,359,509	5,394,755
Share of post acquisition reserves	659,339	974,766
Loans to jointly controlled entities	1,898,214	1,673,355
Less: Accumulated amortisation	(164,116)	(241,387)
	7,752,946	7,801,489
Property development project in Macau		
Unlisted investment, at cost	4,850	4,850
Share of post acquisition reserves	(43,585)	(23,806)
Loan to a jointly controlled entity	474,252	462,450
	435,517	443,494
Other unlisted investments, at cost	–	3,628
	8,188,463	8,248,611
Less: Loans due within one year included in current assets (note 27)	(53,474)	(41,321)
	8,134,989	8,207,290

Notes:

Details of the principal jointly controlled entities at the balance sheet date are as follows:

(a) Superhighway project in Guangdong Province

A subsidiary, Hopewell China Development (Superhighway) Limited, entered into a joint venture contract and supplemental agreements with The Guangdong Provincial Highway Construction Company for the construction, operation and management of the Guangzhou-Shenzhen-Zhuhai superhighway (the "Superhighway") in Guangdong Province of the PRC in three phases which are undertaken by a co-operative joint venture company established in the PRC named Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"). The terms of co-operation of each phase of the Superhighway shall be 30 years from the official opening date of each phase. At the end of the co-operation period, all the immovable assets and facilities of GS Superhighway JV relating to each phase will revert to the PRC partner without compensation.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

(a) Superhighway project in Guangdong Province *(continued)*

Phase I of the Superhighway ("GS Superhighway")

The Group's entitlement to the profit of the toll operations of GS Superhighway is 50% for the initial ten years, 48% for the next ten years and 45% for the last ten years of the joint venture 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 the superhighway for a period of 30 years commencing on the date of completion of GS Superhighway.

GS Superhighway JV has also been granted the rights to develop parcels of land within certain interchanges of GS Superhighway for sale or rental with certain land premium to be waived. Detail terms of such grant have yet to be finalised.

The registered capital contributed and advances made to GS Superhighway JV by the Group totalling approximately HK\$733 million (2002: HK\$1,085 million) are unsecured, carry interest at commercial lending rates and are repayable out of the net cash surplus from the operations of GS Superhighway JV. GS Superhighway was officially opened in July 1997.

Financial information regarding GS Superhighway JV is set out below:

Operating results

	<i>Year ended 30th June,</i>	
	<i>2002</i>	<i>2003</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	1,892,137	2,109,310
Depreciation	148,044	218,249
Profit from ordinary activities before taxation	1,018,010	1,273,295
Profit from ordinary activities before taxation attributable to the Group	509,005	636,648

Assets and liabilities

	<i>At 30th June,</i>	
	<i>2002</i>	<i>2003</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Toll roads and other assets	11,452,574	11,358,017
Non-current liabilities		
Loans from joint venture partners	(468,162)	(94,097)
Bank borrowings	(8,508,180)	(7,912,608)
Other long-term liabilities	(458,576)	(375,228)
Registered capital contributed by a joint venture partner	(742,646)	(745,223)
Current assets	412,711	392,233
Current liabilities	(465,605)	(1,091,590)

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

(a) Superhighway project in Guangdong Province *(continued)*

Phases II and III of the Superhighway

The rights and interests in the development of Phases II and III of the Superhighway (“Western Delta Route”) were transferred to another subsidiary, Hopewell Guangzhou-Zhuhai Superhighway Development Limited, free of any payment. The Group’s investment in the Western Delta Route project has been reclassified as other projects and investments (note 22(b)).

(b) Ring Road project in Guangzhou

A subsidiary, Hopewell Guangzhou Ring Road (Hong Kong) Limited, entered into a joint venture contract with a PRC party for the construction, operation and management of the Guangzhou East-South-West Ring Road, which are undertaken by a co-operative joint venture company established in the PRC named Guangzhou ESW Ring Road Company Limited (“Ring Road JV”). The rights and obligations of Hopewell Guangzhou Ring Road (Hong Kong) Limited were subsequently transferred to another subsidiary, Hopewell Guangzhou Ring Road Limited (“Hopewell Ring Road”). Hopewell Ring Road entered into agreements with a subsidiary of Cheung Kong Infrastructure Holdings Limited, named CKI Guangzhou Ring Roads Limited (“CKI Ring Roads”), and the PRC party under which Hopewell Ring Road, CKI Ring Roads and the PRC party have agreed to finance the construction of Guangzhou East-South-West Ring Road. The co-operation period shall be approximately 30 years commencing from January 2002.

The Group is entitled to 45% of the net cash surplus of Ring Road JV for the initial ten years of the co-operation period and thereafter the Group’s profit entitlement will be reduced to 37.5% for the subsequent ten years and 32.5% for the remaining ten years of the co-operation period. 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 Guangzhou East-South-West Ring Road was officially opened in January 2002.

The advances made to Ring Road JV by the Group totalling approximately HK\$922 million (2002: HK\$957 million) are unsecured and interest free and are repayable out of the net cash surplus from the operations of Ring Road JV.

(c) Highway and bridge system in Shunde

A subsidiary, Hopewell Shunde Roads Limited (“Hopewell Shunde”), entered into joint venture contracts with a PRC party for the construction and operation of a highway and bridge system in Shunde, the PRC, which are undertaken by a co-operative joint venture company established in the PRC named Shunde Municipal Shunhope Highway Construction Company Limited (“Shunde Shunhope”). The co-operation period is 33 years from 23rd August, 1993, comprising a construction period of 3 years and an operation period of 30 years. The Group is entitled to share 25% of the operating surplus of Shunde Shunhope after repayment of its borrowings and repatriation of registered capital. The highway and bridge system was officially opened in August 1996.

(d) National Highway 105 project in Shunde (Shunde 105 Road)

A subsidiary, Hopewell Shunde Highway 105 Limited, has entered into joint venture contracts with certain PRC parties for the widening and upgrading of the existing National Highway 105 in Shunde, the PRC, which are undertaken by a co-operative joint venture company established in the PRC named Shunde Municipality Shunda Highway Company Limited (“Shunde Shunda”). The co-operation period is 28 years from 31st December, 1997 comprising a construction period of 3 years and an operation period of 25 years. The Company is entitled to a share of 30% of the operating surplus of Shunde Shunda after repayment of its borrowings and repatriation of the registered capital contributed. The highway was officially opened in January 2001.

(e) Property development project in Macau

The investment represents the Group’s 50% interest in Nova Taipa-Urbanizacoes Limitada (“Nova Taipa”), a limited company incorporated and operating in Macau which is engaging principally in property development. The advances made to Nova Taipa by the Group totalling approximately HK\$462 million (2002: HK\$474 million) are unsecured with no fixed repayment terms and carried interest at commercial lending rates up to 31st December, 2001 and are interest free thereafter.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

21. INTERESTS IN ASSOCIATES

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Share of net assets	92,053	71,309
Amounts due from associates	6,292	6,214
	98,345	77,523

	<i>The Company</i>	
	2002 HK\$'000	2003 HK\$'000
Unlisted shares and investments, at cost	7,939	5,194
Less: Impairment loss recognised	(2,250)	–
Amounts due from associates	5,886	5,775
	11,575	10,969

Details of the principal associates are set out in note 41.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

22. OTHER PROJECTS AND INVESTMENTS

	<i>The Group</i>		<i>The Company</i>	
	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000
BERTS concession (Note a)				
Development expenditure, at cost	5,313,000	5,313,000	–	–
Less: Impairment loss recognised	(5,313,000)	(5,313,000)	–	–
	–	–	–	–
Other project under development, at cost (Note b)	454,913	181,637	–	–
Investment securities				
Unlisted equity investments, at cost	131,008	119,765	3,000	3,000
Less: Impairment loss recognised	(90,951)	(98,491)	–	–
	40,057	21,274	3,000	3,000
Other investments				
Equity securities listed in Hong Kong, at market value	–	18,055	–	–
	494,970	220,966	3,000	3,000

Notes:

(a) BERTS concession

A subsidiary, Hopewell (Thailand) Limited (“HTL”), entered into a concession agreement with The Ministry of Transport and Communications of Thailand (“MOTC”) and The State Railway of Thailand (“SRT”) for the construction and operation of an elevated road and train system within the Bangkok Metropolitan area known as the Bangkok Elevated Road and Train System (“BERTS”) and for the development of commercial and residential properties along the concession area. The Group has received notices of termination of the concession agreement from MOTC and SRT which has been disputed by HTL. Details of the disputes are set out in note 38(b).

(b) Other project under development

Other project under development represents costs incurred for the Western Delta Route project. The Western Delta Route project, comprising a major transportation route in Western Pearl River Delta, will be developed in three phases through a jointly controlled entity to be established for this purpose. Pursuant to the joint venture agreement entered into between the Group and the PRC joint venture partner, the co-operation period of phase 1 of the project (“Phase 1 West”) is 30 years commencing on the date of issue of the business licence for the jointly controlled entity. 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. The joint venture agreement is subject to approval by the relevant PRC authorities. At the balance sheet date, development expenditure in respect of Phase 1 West contracted for amounted to approximately HK\$361 million (2002: HK\$566 million).

During the year, the Group recouped part of its cost of investment in the Western Delta Route project of RMB296 million from the disposal to the local government authority of certain land sites acquired in prior years for the development of the project, which were surplus to the project’s present requirement under the revised plan.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

23. LONG-TERM RECEIVABLES

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Loans receivable	448,154	4,436
Interest on defeasance deposits receivable	24,674	80,707
Proceeds on disposal of a jointly controlled entity receivable	257,593	240,718
	730,421	325,861
Less: Amounts due within one year included in current assets		
Loans receivable (note 27)	(122,257)	(4,436)
Proceeds on disposal of a jointly controlled entity receivable (note 26)	(20,159)	(45,373)
	588,005	276,052

24. DEFEASANCE/PLEGGED DEPOSITS

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Defeasance deposits (Note below)	5,086,602	1,736,973
Pledged bank deposits (Note 38(b))	95,504	93,260
	5,182,106	1,830,233
Less: Current portion of defeasance deposits included in current assets	(3,349,259)	(149,390)
	1,832,847	1,680,843

Note: Defeasance deposits consist of deposits placed with a bank for the holders of the notes issued by a subsidiary as funds held in trust specifically for the benefits of the noteholders under the covenant defeasance effected in accordance with the terms of the notes (note 32).

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

25. INVENTORIES

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Hotel and restaurant inventories	9,696	8,588

The cost of inventories recognised as an expense during the year amounted to approximately HK\$53,210,000 (2002: HK\$70,522,000).

26. TRADE AND OTHER RECEIVABLES

Other than rentals receivable, which are payable upon presentation of invoices, the Group allows an average credit period of 15 to 60 days to its trade customers.

The following is an analysis of trade and other receivables outstanding at the balance sheet date:

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Receivables aged		
0 – 30 days	67,223	30,843
31 – 60 days	29,672	9,418
Over 60 days	7,670	4,995
Proceeds on disposal of a jointly controlled entity receivable (note 23)	20,159	45,373
Retentions receivable	33,928	21,247
	158,652	111,876

27. LOANS RECEIVABLE – CURRENT PORTION

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Loans to jointly controlled entities (note 20)	53,474	41,321
Other loans receivable (note 23)	122,257	4,436
	175,731	45,757

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

28. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Contract costs incurred	928,379	15,687
Recognised profits less losses	5,893	1,419
	934,272	17,106
Less: Progress billings received and receivable	(938,024)	(31,206)
	(3,752)	(14,100)
Represented by:		
Due from customers included in current assets	11,927	323
Due to customers included in current liabilities	(15,679)	(14,423)
	(3,752)	(14,100)

At 30th June, 2003, retentions held by customers and advances received from customers for contract work amounted to approximately HK\$21 million (2002: HK\$34 million) and HK\$9 million (2002: HK\$9 million) respectively.

29. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables outstanding at the balance sheet date:

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Payables due		
0 – 30 days	198,443	197,754
31 – 60 days	174,682	55,896
Over 60 days	125,850	114,036
Retentions payable	32,761	25,055
Development expenditure payable (Note)	693,218	683,219
	1,224,954	1,075,960

Note: The development expenditure payable represents construction and plant costs incurred by certain subsidiaries of the Company in connection with the Group's overseas infrastructure projects, the development of which has been suspended. Payments for those expenditure are overdue and have been withheld by the subsidiaries pending the outcome of negotiations undertaken to recover the costs of investments in these projects.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

30. SHARE CAPITAL

	<i>The Group and the Company</i>	
	<i>Number of shares</i>	<i>Nominal value</i>
	<i>2002 & 2003</i>	<i>2002 & 2003</i>
	<i>'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$2.50 each: Authorised	1,200,000	3,000,000
Issued and fully paid	875,982	2,189,955

There were no changes in the share capital of the Company for the two years ended 30th June, 2003.

Share option scheme

The Company's share option scheme ("the Option Scheme") was adopted pursuant to an ordinary resolution passed on 11th October, 1994. The Option Scheme shall be valid and effective for a period of 10 years and the purpose of which is to provide incentives to directors and eligible employees. The Board is authorised to grant options under the Option Scheme to executive directors and employees of the Company or any of its subsidiaries to subscribe for shares in the Company.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK\$1 per each grant of option, payable as consideration on acceptance, which is recognised in the income statement when received.

Save as aforementioned, no credit or charge was recognised in the financial statements of both years presented in respect of the value of options granted.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

30. SHARE CAPITAL *(continued)*

Share option scheme *(continued)*

The following table discloses details of share options which were granted by the Company at nominal considerations and movements in such holdings:

<i>Date of grant</i>	<i>Subscription price per share HK\$</i>	<i>Number of shares under options granted</i>		
		<i>Outstanding at 1st July, 2001</i>	<i>Options granted</i>	<i>Outstanding at 30th June, 2002 and 2003</i>
<i>Directors</i>				
28th March, 2002	6.15	–	3,000,000	3,000,000
1st April, 2002	6.15	–	1,000,000	1,000,000
2nd April, 2002	6.15	–	1,000,000	1,000,000
3rd April, 2002	6.15	–	2,500,000	2,500,000
		–	7,500,000	7,500,000
<i>An employee</i>				
2nd April, 2002	6.15	–	800,000	800,000
		–	8,300,000	8,300,000

The dates of grant of options referred to above represent the dates on which the options were accepted by the grantees.

The options granted are exercisable in the following manner:

Maximum proportion of options exercisable including the proportion of options previously exercised	Exercisable period
1/3	From the expiry of 6 months from the date of grant of option up to 18 months from the date of grant
2/3	From the expiry of 18 months from the date of grant of option up to 30 months from the date of grant
3/3	From the expiry of 30 months from the date of grant of option up to 42 months from the date of grant

Save as disclosed above, no options were granted, exercised, cancelled or lapsed during either of the years presented.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2003

31. RESERVES

	Share premium HK\$'000	<i>Investment property revaluation reserve</i> HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	PRC statutory reserves HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP								
At 1st July, 2001	8,508,890	2,652,868	83,010	(1,815)	-	61,319	471,323	11,775,595
Final dividend for year ended 30/6/2001 paid	-	-	-	-	-	(61,319)	-	(61,319)
Revaluation decrease	-	(398,553)	-	-	-	-	-	(398,553)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	-	-	-	2,148	-	-	-	2,148
Share of reserves of jointly controlled entities and associates	-	-	-	(837)	-	-	-	(837)
Net profit for the year	-	-	-	-	-	-	339,790	339,790
Transfer to PRC statutory reserves	-	-	-	-	22,884	-	(22,884)	-
Amounts set aside for dividend payments (note 13)	-	-	-	-	-	376,672	(376,672)	-
Interim dividend paid	-	-	-	-	-	(52,559)	-	(52,559)
At 30th June, 2002	8,508,890	2,254,315	83,010	(504)	22,884	324,113	411,557	11,604,265
Final and special dividend for year ended 30/6/2002 paid	-	-	-	-	-	(324,113)	-	(324,113)
Revaluation decrease	-	(335,049)	-	-	-	-	-	(335,049)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	-	-	-	2,990	-	-	-	2,990
Share of reserves of jointly controlled entities and associates	-	(2,298)	-	6,946	-	-	-	4,648
Net profit for the year	-	-	-	-	-	-	617,863	617,863
Transfer to PRC statutory reserves	-	-	-	-	33,580	-	(33,580)	-
Amounts set aside for dividend payments (note 13)	-	-	-	-	-	218,996	(218,996)	-
Interim dividend paid	-	-	-	-	-	(61,319)	-	(61,319)
At 30th June, 2003	8,508,890	1,916,968	83,010	9,432	56,464	157,677	776,844	11,509,285
Included above is the Group's share of post-acquisition reserves of jointly controlled entities, as follows:								
At 30th June, 2003	-	-	-	916	56,564	-	893,480	950,960
At 30th June, 2002	-	-	-	(259)	22,884	-	700,046	722,671
Included above is the Group's share of post-acquisition reserves of associates, as follows:								
At 30th June, 2003	-	22,975	-	30,624	-	-	9,641	63,240
At 30th June, 2002	-	25,273	-	24,853	-	-	33,364	83,490

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

31. RESERVES *(continued)*

The PRC jointly controlled entities are required, under the local regulations, to provide for statutory reserves, comprising general and development funds, which are not distributable until the end of the joint venture periods.

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY							
At 1st July, 2001	8,508,890	–	9,872	–	61,319	459,889	9,039,970
Final dividend for year ended 30/6/2001 paid	–	–	–	–	(61,319)	–	(61,319)
Net profit for the year	–	–	–	–	–	246,559	246,559
Amounts set aside for dividend payments (note 13)	–	–	–	–	376,672	(376,672)	–
Interim dividend paid	–	–	–	–	(52,559)	–	(52,559)
At 30th June, 2002	8,508,890	–	9,872	–	324,113	329,776	9,172,651
Final dividend for year ended 30/6/2002 paid	–	–	–	–	(324,113)	–	(324,113)
Net profit for the year	–	–	–	–	–	596,503	596,503
Amounts set aside for dividend payments (note 13)	–	–	–	–	218,996	(218,996)	–
Interim dividend paid	–	–	–	–	(61,319)	–	(61,319)
At 30th June, 2003	8,508,890	–	9,872	–	157,677	707,283	9,383,722

The Company's total distributable reserves at 30th June, 2003 represent retained profits and dividend reserve of HK\$707,283,000 (2002: HK\$329,776,000) and HK\$157,677,000 (2002: HK\$324,113,000) respectively.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

32. LONG-TERM BORROWINGS

	<i>The Group</i>	
	2002 HK\$'000	2003 HK\$'000
Unsecured notes payable (Note)		
Principal amount	4,415,541	1,473,822
Premium on early redemption of notes accrued	112,528	–
Less: Unamortised note issue expenses	(26,345)	(6,555)
	4,501,724	1,467,267
Secured bank loans repayable		
within one year	289,776	312,954
between one and two years	400,499	475,854
between two and five years	1,751,569	1,568,821
after five years	501,000	–
	2,942,844	2,357,629
Unsecured bank loans repayable		
within one year	–	7,525
between one and two years	–	133,553
	–	141,078
Other unsecured loans repayable between two and five years	46,880	47,480
	7,491,448	4,013,454
Less: Portion due within one year included in current liabilities		
Unsecured notes payable	(2,902,341)	–
Premium on early redemption of notes	(112,528)	–
Less: Unamortised note issue expenses	13,252	–
	(3,001,617)	–
Secured bank loans	(289,776)	(312,954)
Unsecured bank loans	–	(7,525)
	(3,291,393)	(320,479)
	4,200,055	3,692,975

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

32. LONG-TERM BORROWINGS *(continued)*

Note:

The balance represents:

	<i>The Group</i>	
	<i>2002</i> <i>HK\$'000</i>	<i>2003</i> <i>HK\$'000</i>
Principal amount of the notes payable		
within one year	2,902,341	–
between one and two years	–	1,473,822
between two and five years	1,513,200	–
	4,415,541	1,473,822

The unsecured notes were issued by a subsidiary, Guangzhou-Shenzhen Superhighway (Holdings) Ltd., at a consideration comprising 99.622% of an aggregate principal of US\$200 million ("2004 Notes") and 99.349% of an aggregate principal of US\$400 million ("2007 Notes"). The 2004 Notes and 2007 Notes carry interest at 9.875% per annum and 10.25% per annum respectively which are payable semi-annually in arrears on 15th February and 15th August of each year.

During the year ended 30th June, 2002, the Group effected a covenant defeasance by placing a sum with the trustee of the 2004 Notes and 2007 Notes sufficient for the repayment of the outstanding note principals together with interests payable under the notes. In August 2002, the Group exercised the option to early redeem the notes due in 2007 with an aggregate outstanding principal of approximately US\$372 million pursuant to the terms of the notes.

The notes payable at 30th June, 2003 represent the outstanding principal of the 2004 Notes which will mature on 15th August, 2004. The 2004 Notes shall be redeemed on their maturity date at 100% of their principal amounts.

The Group's liability shown above is presented net of notes with an aggregate principal value of approximately US\$5 million (2002: US\$10 million) repurchased and/or cancelled during the year.

33. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free without fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

34. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured and interest free without fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

35. CHARGES ON ASSETS AND OPTIONS TO ACQUIRE SHARES IN A SUBSIDIARY

- (a) At the balance sheet date, the Group's interest in a jointly controlled entity engaging in the development of an infrastructure project with a carrying value of HK\$1,915 million (2002: HK\$1,986 million) is pledged to the lenders to secure the bank loan facilities to the extent of approximately HK\$372 million (2002: HK\$467 million) utilised by the Group to finance the development of such project.
- (b) Other credit facilities of the Group to the extent of approximately HK\$2,933 million (2002: HK\$3,072 million) were secured by mortgages or charges on the Group's investment properties and other properties with an aggregate carrying amount of approximately HK\$5,571 million (2002: HK\$5,895 million) and HK\$795 million (2002: HK\$781 million) respectively. At the balance sheet date, such facilities were utilised to the extent of approximately HK\$2,241 million (2002: HK\$2,451 million).
- (c) The amounts due by certain subsidiaries to their holding companies totalling approximately HK\$7,294 million (2002: HK\$7,226 million) outstanding at the balance sheet date have been subordinated to the bank borrowings of the Group.
- (d) Under an arrangement in connection with the credit facilities granted to the Group in prior years, the Group has granted an option, at nominal consideration, to the lender to purchase to the extent of 5% of the interest in a subsidiary, Hopewell Highway Infrastructure Limited, which acts as the holding company of certain subsidiaries operating principally in the PRC. The option is exercisable for a period of 36 months from the date on which the shares in the subsidiary is listed on The Stock Exchange of Hong Kong Limited at a price per share which would be the same as the share price of the subsidiary's shares available for public subscription.

36. PROJECT COMMITMENTS

The companies in the Group had outstanding commitments at the balance sheet date as follows:

(a) The Superhighway in the PRC

As detailed in note 22(b), 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 (2002: RMB294 million) will be provided by the Group by way of capital contribution to the jointly controlled entity.

At the balance sheet date, the Group's attributable share of the commitment of GS Superhighway JV in respect of repavement of asphalt for GS Superhighway, which was contracted but not provided for, amounted to approximately HK\$35 million (2002: Nil).

(b) Power Station Project in the Republic of Indonesia

A subsidiary had undertaken the development of the Tanjung Jati B Power Station in Indonesia. The total development cost was estimated to be approximately HK\$13,687 million. Development expenditure and project costs incurred up to the balance sheet date amounted to approximately HK\$3,163 million (2002: HK\$3,163 million). The Group has entered into agreements for the disposal of the power station which was completed subsequent to the balance sheet date.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

36. PROJECT COMMITMENTS *(continued)*

(c) Other investments

- (i) A subsidiary has agreed to provide funds to the extent of HK\$800 million to a jointly controlled entity established for the development of its property development project. At the balance sheet date, funds advanced by the subsidiary to this jointly controlled entity amounted to approximately HK\$462 million (2002: HK\$474 million). As at that date, the Group's share of the commitment of the jointly controlled entity in respect of property development expenditure, which was contracted but not provided for in the financial statements, amounted to approximately HK\$20,107,000 (2002: HK\$33,933,000).
- (ii) Certain subsidiaries have also agreed to undertake the development of the commercial and residential properties in Machong county of Dongguan, the PRC, subject to approval by the relevant authority and/or the signing of formal project agreements, the terms and conditions of which are yet to be finalised.

(d) Property development expenditures

	<i>The Group</i>		<i>The Company</i>	
	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised but not yet contracted for	88,054	99,525	–	–
Contracted for but not provided	4,607	30,228	–	–
	92,661	129,753	–	–

37. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<i>The Group</i>	
	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	952	952
In the second to fifth years inclusive	2,216	2,216
	3,168	3,168

Operating lease payments represent rentals payable by the Group for land and buildings. Leases are negotiated and rentals are fixed for an average term of two and five years.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

37. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

At the balance sheet date, the investment properties of the Group with an aggregate carrying value of approximately HK\$3,962 million (2002: HK\$4,249 million) were rented out under operating leases.

These properties have committed tenants for the next one to three years without termination options granted to tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<i>The Group</i>	
	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	165,753	129,823
In the second to fifth years inclusive	102,975	86,221
	268,728	216,044

The Company had no significant operating lease commitments at the balance sheet date.

38. CONTINGENCIES

At the balance sheet date, there were contingencies as follows:

(a) Disposal of CEPA

In connection with the disposal by the Group of its interests in Consolidated Electric Power Asia Limited ("CEPA") in prior years, the Group entered into an agreement with the purchaser under which the purchaser and its affiliates agreed to release and discharge the Group from all claims whatsoever they may have against the Group arising under the sale agreement. The Group has also agreed to release and discharge the purchaser and its affiliates from all claims whatsoever the Group may have against them. In this connection, the Group has agreed to give certain performance undertakings and indemnities to the purchaser and its affiliates, for which provisions totalling approximately HK\$164 million had been made in the financial statements in prior years. The provisions represent management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the aforementioned agreement. The directors are of the opinion that the provisions are not expected to be payable within one year from the balance sheet date and accordingly, are classified as non-current liabilities.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

38. CONTINGENCIES *(continued)*

(b) Transport system in Thailand

The Ministry of Transport and Communications of Thailand (“MOTC”) has issued termination notices to Hopewell (Thailand) Limited (“HTL”) to terminate the concession agreement entered into with HTL and reserved the rights to claim for any damages arising from such termination. MOTC has also issued a letter to seize all the concession payments made by HTL and the performance bond of approximately HK\$93 million issued by a bank on behalf of HTL which was secured by the pledge of the Group’s bank deposits of the same amount. However, the Government party has been unable to seize the bond since the grounds for termination are disputed. In September 1998, MOTC confirmed the termination of the concession agreement and stated that HTL will be informed of the amount of damages in the future. On the other hand, HTL contended that the concession has been confiscated or expropriated by MOTC outside the terms of the concession agreement and has made a claim for damages of approximately Baht 100 billion and demanded MOTC to release the aforesaid performance bond. The directors consider it impracticable to assess the outcome of the actions taken.

(c) Infrastructure project in Luzon

A legal action was taken by a former director and a company related to him against the Company claiming, inter alia, compensation for expenses allegedly incurred in connection with a proposed infrastructure project in Luzon, the Republic of the Philippines, of approximately HK\$13.9 million and a declaration that the Company is contractually bound to allocate certain percentage of shares in the associate undertaking that project. The Company has filed a defence against the claims and intends to contest the case vigorously. The directors, based on legal advice obtained, are of the opinion that the case is without merit and would not result in any material losses to the Group.

(d) Other projects

A legal action was taken by a supplier against a subsidiary claiming, inter alia, compensation for alleged breach of contract of approximately HK\$33 million in connection with the construction of a road project in prior years. The subsidiary intends to contest the case vigorously. The directors, based on legal advice obtained, are of the opinion that the case is without merit and would not result in any material losses to the Group.

	<i>The Group</i>		<i>The Company</i>	
	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(e) Credit facilities under guarantees given, utilised by:				
Subsidiaries	–	–	3,147,778	2,863,939
A jointly controlled entity	697,551	697,551	697,551	697,551

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

39. RETIREMENT BENEFIT SCHEME

The Group has established a Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to the income statement represent contributions payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK\$20,000. At the balance sheet date, there were no forfeited contributions available to reduce future obligations. The contributions made by the Group to the MPF Scheme for the year are approximately HK\$7,014,000 (2002: HK\$7,328,000).

40. PRINCIPAL SUBSIDIARIES

The following list contains only the details of the subsidiaries at the balance sheet date which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except otherwise indicated, all the subsidiaries are private companies incorporated and operating principally in the place of incorporation or establishment and all issued shares are ordinary shares. None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

Name of company	Paid up issued capital	Proportion of nominal value of issued ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Hong Kong:</i>				
Goldhill Investments Limited	2 shares of HK\$100 each and 60,600 non-voting deferred shares of HK\$100 each	–	100	Property investment
Hopewell China Development (Superhighway) Limited (ii)	2 shares of HK\$1 each and 4 non-voting deferred shares of HK\$1 each	–	97.5	Investment in super-highway project
Hopewell Construction Company, Limited	200,000 shares of HK\$100 each	–	100	Construction, project management and investment holding
HH Finance Limited	100,000 shares of HK\$10 each	100	–	Loan financing
Hopewell Food Industries Limited	1,000,000 shares of HK\$1 each	–	100	Restaurant operation
Hopewell Guangzhou-Zhuhai Superhighway Development Limited (ii)	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	–	100	Investment in super-highway project
Hopewell Housing Limited	30,000 shares of HK\$100 each	100	–	Property agents and investment holding
Hopewell Huang Gang Development Limited (ii)	2 shares of HK\$1 each	–	100	Property investment

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

40. PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Paid up issued capital	Proportion of nominal value of issued ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Hong Kong: (continued)</i>				
Hopewell Property Management Company Limited	2 shares of HK\$100 each	100	–	Building and carpark management
Hopewell Shunde Roads Limited (ii)	2 shares of HK\$1 each	–	100	Investment in highway system project
Hopewell Slipform Engineering Limited	2,000,000 shares of HK\$1 each	–	100	Construction specialist sub-contractor
Hopewell 108 Limited	1,000 shares of HK\$100 each	–	100	Property investment
Hopewell 109 Limited	100 shares of HK\$100 each	100	–	Investment holding
Hopewell 110 Limited	10,000 shares of HK\$100 each	–	100	Property investment and development
International Trademart Company Limited	2 shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each	–	100	Property investment and operation of a trademart
Kowloon Panda Hotel Limited	2 shares of HK\$100 each and 20,000 non-voting deferred shares of HK\$100 each	–	100	Hotel ownership and operations
Lok Foo Company Limited	52,000 shares of HK\$100 each	100	–	Investment holding
Mega Hotels Management Limited	3,000,000 shares of HK\$1 each	–	100	Hotel management and investment holding
Parkgate Enterprises Limited	10,000 shares of HK\$10 each	–	100	Property investment
Slipform Engineering Limited	1,000,001 shares of HK\$1 each	–	100	Construction, project consultant and investment holding
Wetherall Investments Limited	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	–	100	Property investment and investment holding
Yuba Company Limited	10,000 shares of HK\$1 each	–	100	Property investment

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

40. PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Paid up issued capital	Proportion of nominal value of issued ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Macau:</i>				
Slipform Engineering (Macau) Limited	500,000 shares of MOP 1 each	–	100	Construction
<i>Established in the PRC:</i>				
廣州市合和(花都)置業發展有限公司(iii)	RMB99,200,000 (registered capital)	–	95	Property development
<i>Incorporated in the British Virgin Islands:</i>				
Goldvista Properties Limited (i)	1 share of US\$1 each	–	100	Property investment
Guangzhou-Shenzhen Superhighway (Holdings) Ltd. (i)	20,000 shares of US\$1 each	–	100	Investment holding
Hopewell (Huadu) Estate Investment Company Limited (i)	1 share of US\$1 each	–	100	Investment holding
Hopewell Guangzhou Ring Road Limited (ii)	1 share of US\$1 each	–	100	Investment in highway system project
Hopewell Shunde Highway 105 Limited	2 shares of US\$1 each	–	100	Investment in highway system project
Kammer Investment Limited (i)	1 share of US\$1 each	100	–	Investment holding
Kanematsu Power (South China) Co. Limited (ii)	10,000 shares of US\$1 each	–	83.34	Development of power station
Primax Investment Limited (i)	1 share of US\$1 each	100	–	Investment holding
Procelain Properties Ltd. (i)	1 share of US\$1 each	–	100	Property investment
Singway (B.V.I.) Company Limited (i)	1 share of US\$1 each	–	100	Property investment
Tubanan Power Limited (i)	100 shares of US\$1 each	–	100	Investment holding
Yee Shing International Limited (ii)	1 share of US\$1 each	–	100	Treasury investment

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

40. PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Paid up issued capital	Proportion of nominal value of issued ordinary capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in the Cayman Islands:</i>				
Delta Roads Limited (i)	46,422 shares of HK\$10 each	–	100	Investment holding
Hopewell Highway Infrastructure Limited (Note 42(a))	3,120,250 shares of HK\$0.1 each	–	100	Investment holding
<i>Incorporated in Thailand:</i>				
Hopewell (Thailand) Limited	1,500,000,000 shares of Baht 10 each	100	–	Investment in an elevated road and train system
<i>Incorporated in the Republic of Malta:</i>				
Grand Hotel Excelsior Limited	50,000 shares of LM1 each	–	100	Development and operation of a hotel
Slipform Engineering (Malta) Limited	10,000 shares of LM 1 each	–	100	Project management and construction
<i>Incorporated in Indonesia:</i>				
P.T. Hi Power Tubanan I	2,200,000 shares of US\$100 each paid up to an aggregate of US\$220,000,000	–	80	Development of a power station project

Notes:

- (i) Operating principally in Hong Kong
- (ii) Operating principally in the PRC
- (iii) Sino foreign cooperative joint venture registered in the PRC

The non-voting deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participation in any distribution on winding up.

Particulars of the subsidiaries, including those subsidiaries not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Companies Ordinance.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2003

41. PRINCIPAL ASSOCIATES

Particulars regarding the principal associates, all of which are incorporated and operating in Hong Kong except otherwise indicated, are as follows:

<i>Name of company</i>	<i>Proportion of nominal value of issued capital held by the Company %</i>	<i>Principal activities</i>
Granlai Company Limited (i)	46	Property investment
Shin Ho Ch'eng Development Limited (i) & (ii)	20	Hotel operation

Notes:

- (i) Adopted 31st December as financial year end date
- (ii) Operating principally in the PRC

The directors are of the opinion that a complete list of all the associates will be of excessive length. Particulars of the associates, including those associates not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Companies Ordinance.

42. POST BALANCE SHEET EVENTS

- (a) During the year, in connection with the spin-off of the Group's interests in certain highway projects, the Group underwent reorganisation procedures whereby the interests in the project companies undertaking the investments in GS Superhighway, Guangzhou East-South-West Ring Road and the Western Delta Route project were transferred to a wholly-owned subsidiary, Hopewell Highway Infrastructure Limited ("HHI"). Subsequent to the balance sheet date, HHI issued a total of 720,000,000 shares to public investors at an issue price of HK\$4.18 per share, giving a total cash consideration of HK\$3,009.6 million before expenses. HHI also issued a total of 87,533,636 warrants carrying the rights to subscribe for shares in HHI, which were distributed to the Company's shareholders on the basis of one warrant for every 10 shares in the Company then held. Listings of the HHI's shares and warrants on the Main Board of The Stock Exchange of Hong Kong Limited were approved and dealings in the HHI shares and warrants commenced on 6th August, 2003. Details regarding the spin-off are contained in the circular to shareholders dated 30th June, 2003 issued by the Company.
- (b) The disposal of the Tanjung Jati B Power Station project was completed subsequent to the balance sheet date. Details of this transaction are outlined in note 8.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 43 to 94 were approved and authorised for issue by the Board of Directors on 8th September, 2003.

List of Major Properties

A. Completed investment properties and hotel property (unless otherwise specified, these properties are held under long-term leases):

Property/land	Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)
Hongkong International Trade & Exhibition Centre (medium-term lease)	1 Trademart Drive Kowloon Bay, Kowloon.	Conference, exhibition, restaurant, showroom office and carparks	22,280	163,702*	100
Hopewell Centre	183 Queen's Road East, Wanchai, Hong Kong.	Commercial, office and carparks	5,207	78,102*	100
Panda Hotel (medium-term lease) – Shopping arcade & carparks – Hotel property	3 Tsuen Wah Street, Tsuen Wan, New Territories.	Commercial and carparks Hotel operation		22,689* 49,073	100 100
			5,750	71,762	
Allway Gardens Shopping Arcade (medium-term lease)	9 On Yuk Road, Tsuen Wan, New Territories.	Commercial	N/A	20,742	100
125 carparking spaces at Allway Gardens (medium-term lease)	9 On Yuk Road, Tsuen Wan, New Territories.	Carparks	N/A	N/A	100
80 carparking spaces at Wu Chung House (medium-term lease)	3/F–5/F, 213 Queen's Road East, Hong Kong.	Carparks	N/A	N/A	100
22/F–24/F and car parking spaces V1–V15, Hing Wai Centre (medium-term lease)	No. 7 Tin Wan Praya Road, Aberdeen, Hong Kong.	Industrial, commercial and carparks	N/A	7,551*	100

List of Major Properties *(continued)*

B. Properties for/under development:

Property/land	Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)
Mega Tower Hotel	Kennedy Road Ship Street, Hau Fung Lane, Wanchai, Hong Kong.	Hotel and shopping complex with convention facilities (Development at planning stage)	7,509#	Under planning	100
196-206 Queen's Road East	196-206 Queen's Road East, Wanchai, Hong Kong.	For development	464	N/A	100
City East Building	214-224 Queen's Road East, Wanchai, Hong Kong.	For development	459	4,145*	100
9-19 Sam Pan Street Hong Kong	9-19 Sam Pan Street, Wanchai, Hong Kong.	For development	623	N/A	100
Nova Taipa Gardens (Phase II to V)	North shore of Taipa Island, Macau.	Residential, commercial, hotel/conventional centre and carparks (Substructure works for Phase II completed)	146,174	N/A	50
Grand Hotel Excelsior	Great Siege Road, Floriana, Republic of Malta.	Hotel (Under redevelopment)	33,428	55,328	100
Huadu Development	Huadu district Guangzhou, China	Residential, commercial, logistic and social facilities buildings	733,000	N/A	95

Note:

* Excluding car parking spaces.

Total planned site area of the land required for the property development is about 13,000 sq.m. of which a total of 7,509 sq.m. are held by the Group and remaining will be acquired by the Group mainly by way of land exchange with the government at a premium yet to be finalised.



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