

Notes to the Financial Statements

For the year ended 30th June, 2004

1. Corporate Reorganisation and Basis of Preparation of Financial Statements

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

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

Pursuant to a group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares (the "Listing") on the Stock Exchange, the Company became the holding company of the Group on 30th June, 2003.

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

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

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

The Group resulting from the Corporate Reorganisation is regarded as a continuing entity. Accordingly, the consolidated balance sheet at 30th June, 2003 has been prepared using the principles of merger accounting.

The consolidated income statement for the year ended 30th June, 2003 has been prepared on a combined basis as if the current structure had been in existence throughout that year.

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

2. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and jointly controlled entities made up to each balance sheet date.

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

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

2. Significant Accounting Policies (continued)

Subsidiaries

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

Interests in jointly controlled entities

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

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

Additional investment cost in jointly controlled entities

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

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

Property and equipment

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

2. Significant Accounting Policies (continued)

Property and equipment (continued)

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

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

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

Revenue recognition

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

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

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

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

Leasing

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

Foreign currencies

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

2. Significant Accounting Policies (continued)

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

2. Significant Accounting Policies (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

Financial instruments

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

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Other receivables, deposits and prepayments

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

Bank and other loans

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

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

2. Significant Accounting Policies (continued)

Other payables, accruals and deposits received

Other payables, accruals and deposits received are stated at their nominal value.

3. Turnover and Segment Information

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

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

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

4. Other Operating Income

	2003 HK\$'000	2004 HK\$'000
Interest income from:		
A jointly controlled entity	25,766	18,688
A joint venture partner	17,758	17,166
Bank deposits	6,369	8,837
Held-to-maturity debt securities (after netting off of amortisation of premium on acquisition of held-to-maturity debt securities of approximately HK\$48,087,000 (2003: nil))	–	23,172
Rental income	5,891	1,875
Reimbursement of operating expenses from jointly controlled entities	3,238	4,400
Other income	9,033	15,050
	68,055	89,188

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

5. Profit from Operations

	2003 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	744	1,009
Underprovision in prior year	–	9
	744	1,018
Directors' emoluments (note 11)	2,682	14,047
Exchange losses, net	1,236	3,183
Other staff costs (excluding directors)	46,001	56,359
Amortisation of additional investment cost in jointly controlled entities	32,102	39,306
Depreciation of:		
Toll roads	150,031	185,336
Other property and equipment	4,177	4,675
Property and equipment written-off	–	7

6. Finance Costs

	2003 HK\$'000	2004 HK\$'000
Interest on:		
Bank loans	173,005	125,104
Loan from a jointly controlled entity	21,653	20,681
Loan from a joint venture partner	297	298
Other loan wholly repayable within five years	4,774	4,677
	199,729	150,760
Other financial expenses	899	37
Total borrowing costs	200,628	150,797

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

7. Income Tax Expense

	2003 HK\$'000	2004 HK\$'000
PRC income tax	235	237
Overprovision of income tax in prior year	–	(50)
Deferred taxation (note 26)	24,505	21,884
	24,740	22,071

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

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

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

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

廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") is in the first year of operation and in the process to apply for certain exemption and relief from the relevant tax authority. No provision for PRC income tax for West Route JV as the jointly controlled entity has no assessable profit.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

7. Income Tax Expense (continued)

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

	2003 HK\$'000	2004 HK\$'000
Profit before tax	568,800	772,208
Tax at normal PRC income tax rate of 33%	187,704	254,829
Tax effect of income not taxable for tax purpose	(3,668)	(17,135)
Tax effect of expenses not deductible for tax purpose	41,764	43,343
Income tax on concessionary rate	(171,654)	(232,655)
Differential tax rate on temporary difference of jointly controlled entities	(29,406)	(26,261)
Overprovision of income tax in prior year	–	(50)
Income tax expense	24,740	22,071

8. Dividends

	2003 HK\$'000	2004 HK\$'000
Interim dividend paid of HK\$0.1 (2003: nil) per share	–	288,044
Final dividend proposed of HK\$0.125 (2003: nil) per share	–	360,087
	–	648,131

A final dividend in respect of financial year 2004 of HK12.5 cents per share amounting to a total of approximately HK\$360,087,000 is proposed by the Board. The dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The amount has been accounted for as an appropriation of reserve in the year ended 30th June, 2004. The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these financial statements.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

9. Earnings Per Share

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

	2003 HK\$'000	2004 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	533,079	734,775

	2003 Number of shares	2004 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,160,000,000	2,809,376,020
Effect of dilutive potential ordinary shares: warrants	–	4,552,670
Weighted average number of ordinary shares for the purposes of diluted earnings per shares	2,160,000,000	2,813,928,690

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 30th June, 2003 was determined on the basis that shares of the Company issued upon the Corporate Reorganisation and the Capitalisation Issue in total of 2,160,000,000 shares were deemed to be outstanding throughout that year.

No diluted earnings per share was presented for the prior year as there was no warrant of the Company outstanding throughout that year.

10. Retirement Benefits Plans

The aggregate numbers of employees of the Group and the jointly controlled entities were 2,208 and 2,448 at 30th June, 2003 and 2004, respectively.

At 30th June, 2004, the employees of the Group joined the Mandatory Provident Fund ("MPF") Scheme operated by its ultimate holding company. Mandatory contributions to the scheme are made by both the employer and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. At 30th June, 2004, 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\$331,000 (2003: HK\$194,000).

The employees of the Group's PRC jointly controlled entities are members of state-managed retirement benefit schemes operated by the PRC Government. These entities are required to contribute 18% of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the jointly controlled entities with respect to the retirement benefit schemes is to make the specified contributions. The Group's proportionate share of the contributions made by the jointly controlled entities for the year are approximately HK\$4,113,000 (2003: HK\$3,926,000).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

11. Directors' and Five Highest Paid Individuals' Emoluments

Directors' emoluments

Details of emoluments paid by the Group during the year to the persons who are the directors of the Company at balance sheet date are as follows:

	2003 HK\$'000	2004 HK\$'000
Fees:		
Executive directors	–	960
Independent non-executive directors	–	400
	–	1,360
Other emoluments (executive directors):		
Salaries and other benefits	2,194	12,162
Bonus	464	468
Contributions to retirement benefits plans	24	57
	2,682	12,687
Total emoluments	2,682	14,047

The emoluments of the directors were within the following bands:

	2003 Number of directors	2004 Number of directors
Nil to HK\$1,000,000	11	6
HK\$1,500,001 to HK\$2,000,000	1	4
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,000,001 to HK\$3,500,000	–	1

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2004

11. Directors' and Five Highest Paid Individuals' Emoluments *(continued)*

Five highest paid individuals emoluments

The five highest paid individuals of the Group in financial year 2004 are directors of the Company and details of their emoluments are disclosed above. The five highest paid individuals of the Group in financial year 2003 included two directors of the Company and the emoluments of the remaining three individuals, which were individually below HK\$1,000,000, are as follows:

	2003 HK\$'000	2004 HK\$'000
Salaries and other benefits	1,742	–
Contributions to retirement benefits plans	36	–
Total emoluments	1,778	–

During the two years ended 30th June, 2004, no emoluments were paid by the Group to any of the persons who are directors or the five highest paid individuals of the Company as an inducement to join or upon joining the Group or as compensation for loss of office and none of the persons who are directors of the Company waived any emoluments.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

12. Property and Equipment

	Toll roads HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST					
At 1st July, 2003	9,741,852	20,542	12,265	–	9,774,659
Additions	791,130	2,270	10,335	7,380	811,115
Transfer from investment in toll road project under development	56,549	–	–	–	56,549
Write-offs	–	(101)	(27)	–	(128)
At 30th June, 2004	10,589,531	22,711	22,573	7,380	10,642,195
ACCUMULATED DEPRECIATION					
At 1st July, 2003	752,150	16,207	5,749	–	774,106
Charge for the year	185,336	2,092	2,583	–	190,011
Eliminated on write-offs	–	(101)	(20)	–	(121)
At 30th June, 2004	937,486	18,198	8,312	–	963,996
CARRYING AMOUNT					
At 30th June, 2003	8,989,702	4,335	6,516	–	9,000,553
At 30th June, 2004	9,652,045	4,513	14,261	7,380	9,678,199

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

13. Additional Investment Cost in Jointly Controlled Entities

	HK\$'000
COST	
At 1st July, 2003 and 30th June, 2004	2,073,512
AMORTISATION	
At 1st July, 2003	173,254
Charge for the year	39,306
At 30th June, 2004	212,560
CARRYING AMOUNT	
At 30th June, 2003	1,900,258
At 30th June, 2004	1,860,952

14. Investments in Jointly Controlled Entities

Particulars of the Group's jointly controlled entities at 30th June, 2004 are as follows:

Name of company	Place of establishment	Registered capital	Principal activity
廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited	The PRC	RMB471,000,000	Development, operation and management of an expressway
廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited	The PRC	US\$55,000,000	Development, operation and management of an expressway
廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited	The PRC	RMB588,000,000	Development, operation and management of an expressway

GS Superhighway JV, Ring Road JV and West Route JV are Sino-foreign co-operative joint venture enterprises established under the PRC law.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

14. Investments in Jointly Controlled Entities (continued)

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

(i) **GS Superhighway JV**

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

The development of phases II and III of the project, comprising a major transportation route in western Pearl River Delta ("Western Delta Route"), is undertaken by West Route JV.

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

(ii) **Ring Road JV**

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

(iii) **West Route JV**

West Route JV is established to undertake the construction, operation and management of an expressway linking Guangzhou, Zhongshan and Zhuhai. Phase I of the expressway ("Phase I West") was officially opened on 30th April, 2004 and the co-operation period is thirty years commencing from 17th September, 2003. The Group is entitled to 50% of the distributable profits from operation of West Route JV. At the end of the co-operation period, all the immovable assets and facilities of West Route JV will revert to relevant PRC government department which regulates transportation without compensation.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

14. Investments in Jointly Controlled Entities (continued)

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

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

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

In respect of the year ended 30th June, 2004:

	GS Superhighway JV HK\$'000	Ring Road JV HK\$'000	West Route JV HK\$'000	Total HK\$'000
Current assets	346,290	93,706	14,893	454,889
Non-current assets	5,334,820	1,869,020	714,231	7,918,071
Current liabilities	225,377	16,170	99,504	341,051
Non-current liabilities	3,846,850	1,347,747	491,724	5,686,321
Income	1,148,225	129,014	4,649	1,281,888
Expenses	352,298	90,136	5,227	447,661

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

15. Investment in Toll Road Project under Development

The balance at 30th June, 2004 represents the costs incurred by the Group on the development of Phases II and III of Western Delta Route.

The Western Delta Route will be developed in three phases. Phase I of Western Delta Route, Phase I West, was constructed and operated by West Route JV and was opened to traffic on 30th April, 2004. The estimated total investment for Phase II of Western Delta Route is RMB4,900 million, 35% of which is to be funded by an increase in the registered capital of West Route JV by RMB1,715 million in total to be contributed by the Group and West Route JV PRC partner in equal share (i.e. each to contribute RMB857.5 million). The concession period for Phase II of Western Delta Route will, subject to approval of the relevant PRC authorities, be thirty years commencing on the date on which the new business licence of West Route JV in respect of Phase II of Western Delta Route is issued. The Group is entitled to 50% of the distributable profits of West Route JV.

The Group is currently in the process of negotiating the terms of a possible co-operation with the PRC partner of West Route JV for the investment in and the planning, design, construction and operation of Phase III of Western Delta Route through West Route JV. The estimated total investment for Phase III of Western Delta Route is RMB3,600 million, 35% of which is to be funded by an increase in the registered capital of West Route JV by RMB1,260 million in total to be contributed by the Group and West Route JV PRC partner in equal share (i.e. each to contribute RMB630 million). The concession period for Phase III of Western Delta Route will, subject to approval of the relevant PRC authorities, be thirty years commencing on the date of which the new business licence of West Route JV in respect of Phase III of Western Delta Route is issued. The Group is entitled to 50% of the distributable profits of West Route JV.

16. Loans to Jointly Controlled Entities

	2003 HK\$'000	2004 HK\$'000
Loans to:		
GS Superhighway JV	387,676	406,134
Ring Road JV	626,740	610,739
West Route JV	–	132,858
	1,014,416	1,149,731

The balances represent the loans to jointly controlled entities made by the Group after elimination of the Group's proportionate share of the corresponding amounts of the jointly controlled entities.

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

17. Investments in Securities

The balance at 30th June, 2004 represents the overseas listed held-to-maturity debt securities acquired by the Group during the year and their carrying amount at the balance sheet date approximates their fair value.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

18. Interest Receivable from a Joint Venture Partner

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

19. Pledged Bank Deposits and Bank Balances and Cash

At 30th June, 2004, included in the pledged bank deposits and bank balances and cash are bank deposits of approximately HK\$356,967,000 (2003: HK\$301,276,000), which are held by the Company's PRC subsidiary and the Group's jointly controlled entities in United States dollar, Hong Kong dollar and Renminbi. The remittance of these bank deposits other than the distribution of dividends or reimbursement of operating expenses outside the PRC is subject to approval of the relevant local authorities.

20. Other Financial Assets

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

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

Credit risk

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

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

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

Foreign currency risk

Majority of the revenue of the Group's jointly controlled entities are collected in RMB. Any devaluation of the RMB would adversely affect the value of the jointly controlled entities' revenues and earnings in currencies other than RMB. Devaluation of the RMB relative to the United States dollar and/or Hong Kong dollar could increase the portion of the cash outflow of the jointly controlled entities which is required to satisfy obligations denominated in those currencies.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

21. Share Capital

	Number of shares	Amount HK\$'000
Details of the share capital of the Company are as follows:		
Authorised:		
On incorporation, par value of HK\$1 each	380,000	380
Change of par value from HK\$1 to HK\$0.1	3,420,000	–
Increase during the year	9,996,200,000	999,620
At 30th June, 2003 and 30th June, 2004	10,000,000,000	1,000,000
Issued and fully paid:		
Allotted and issued on incorporation, par value of HK\$1 each	1	–
Subdivision of shares of par value from HK\$1 to HK\$0.1	9	–
Allotted and issued on 30th June, 2003	3,120,240	312
At 30th June, 2003	3,120,250	312
Capitalisation Issue	2,156,879,750	215,688
Issue of shares by way of placing and public offer	720,000,000	72,000
Issue of shares upon exercise of warrants	590,046	59
At 30th June, 2004	2,880,590,046	288,059

The following changes in the share capital of the Company took place during the period from 14th January, 2003 (date of incorporation) to 30th June, 2004:

- (a) The Company was incorporated on 14th January, 2003 with an authorised share capital of HK\$380,000 divided into 380,000 shares of HK\$1 each. At the time of incorporation, one ordinary share of HK\$1 was allotted and issued for cash at par.
- (b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 30th June, 2003:
 - (i) each share of par value of HK\$1 in the unissued and issued share capital of the Company was subdivided into 10 shares of par value of HK\$0.1 each; and
 - (ii) the authorised share capital of the Company was increased from HK\$380,000 to HK\$1,000,000,000, by the creation of an additional 9,996,200,000 new shares of HK\$0.1 each.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

21. Share Capital (continued)

- (c) On 30th June, 2003:
- (i) the Company allotted and issued 3,120,100 shares of HK\$0.1 each, credited as fully paid in consideration of the transfer of the entire issued share capital of Most Top Limited, Yager International Limited and Wilberforce International Limited.
 - (ii) the Company allotted and issued 140 shares of HK\$0.1 each, credited as fully paid at the direction of Guangzhou-Shenzhen Superhighway (Holdings) Ltd. ("GSSH"), a fellow subsidiary of the Company, in consideration of GSSH (i) procuring the allotment and issue of two new ordinary shares in Hopewell China Development (Superhighway) Limited ("HHI GS Superhighway Co.") to Kingnice Limited ("Kingnice") and its nominee and the conversion of the ordinary shares in HHI GS Superhighway Co beneficially held by it into deferred non-voting shares, and (ii) transferring its one share held in Fan Wai Properties Limited to Kingnice.
- (d) On 23rd July, 2003, the Company allotted and issued 2,156,879,750 shares of HK\$0.1 each, credited as fully paid on capitalisation of an amount of HK\$4,500 million owing by the Company to its immediate holding company.
- (e) On 5th August, 2003, 720,000,000 new shares of the Company of HK\$0.1 each were issued, at a price of HK\$4.18 per share, for cash through an initial public offering by way of placing and public offer.
- (f) Pursuant to the written resolutions of the sole shareholder of the Company passed on 16th July, 2003, the instrument constituting the warrants and the creation of the warrants of the Company (the "Warrants") were approved. The Warrants carrying subscription rights in aggregate of HK\$365,890,598 were created and issued in registered form on 5th August, 2003 which conferred the right to registered holders to subscribe for shares of the Company at an initial subscription price per share equivalent to the initial public offer price of the shares of HK\$4.18 (subject to adjustment) exercisable during a period of 3 years commencing 6th August, 2003 (the "Subscription Rights").

During the year, the Subscription Rights for HK\$2,466,392 were exercised by registered holders to convert into 590,046 shares of the Company.

At 30th June, 2004, the Subscription Rights for HK\$363,424,206 were outstanding, exercise of which in full would result in the issue of 86,943,590 shares of the Company of HK\$0.1 each.

Share option scheme

A share option scheme ("Option Scheme") was adopted by the Company during the year pursuant to the written resolutions of the then sole shareholder of the Company passed on 16th July, 2003 and approved by the shareholders of Hopewell Holdings Limited at an extraordinary general meeting held on 16th July, 2003. The Option Scheme shall be valid and effective for a period of ten years and the purpose of which is to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to (i) any executive or non-executive directors including independent non-executive directors or any employees of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group; (iv) and chief executives, or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company or for such other purposes as the Board of Directors may approve from time to time.

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

No option was granted under the Option Scheme since its adoption.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

22. Reserves

The Group

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

	2003 HK\$'000	2004 HK\$'000
Statutory reserves	56,464	76,560
Translation reserve	3,754	9,371
Retained profits	754,754	930,201
	814,972	1,016,132

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

The Company

The Company's reserves available for distribution represent the share premium and retained profits. Under the Companies Law (2003 Revision) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the declaration of distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can only be distributed out of the retained profits and share premium of the Company. At 30th June, 2004, the Company's reserves available for distribution to its shareholders amounted to approximately HK\$7,867,930,000, comprising retained profits and share premium of approximately HK\$763,328,000 (2003: nil) and HK\$7,104,602,000 (2003: nil), respectively.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

23. Bank and Other Loans

	2003 HK\$'000	2004 HK\$'000
Bank loans, secured	4,993,040	4,785,512
Other loans, unsecured	95,833	95,833
	5,088,873	4,881,345
The borrowings are repayable as follows:		
On demand or within one year	426,406	170,823
In the second year	568,022	205,176
In the third to fifth year inclusive	1,666,227	1,356,338
After five years	2,428,218	3,149,008
	5,088,873	4,881,345
Less: Amounts due for settlement within one year (shown under current liabilities)	(426,406)	(170,823)
Amounts due for settlement after one year	4,662,467	4,710,522

Analysis of borrowings by currency:

	At 30th June, 2003		
	US\$ HK\$'000	RMB HK\$'000	HK\$ HK\$'000
Bank loans	3,753,034	868,006	372,000
Other loans	–	95,833	–
	3,753,034	963,839	372,000

	At 30th June, 2004		
	US\$ HK\$'000	RMB HK\$'000	HK\$ HK\$'000
Bank loans	3,578,386	1,207,126	–
Other loans	–	95,833	–
	3,578,386	1,302,959	–

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

23. Bank and Other Loans (continued)

Other than the other loan amounts of approximately HK\$16,406,000 (2003: HK\$16,406,000) which are interest-free, bank and other loans carry interest at commercial lending rates.

The average rates of interest for bank loans and other loans for the year were 2.5% (2003: 2.7%) and 4.8% (2003: 4.8%) per annum, respectively.

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

24. Loans from Joint Venture Partners

	2003 HK\$'000	2004 HK\$'000
Amounts due to joint venture partners of:		
GS Superhighway JV (interest-bearing)	8,254	8,552
Ring Road JV (interest-free)	711,248	690,486
West Route JV (interest-free)	–	138,474
	719,502	837,512

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

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

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

25. Amounts due to Holding Companies

The amounts were unsecured and interest free. On 23rd July, 2003, the amount due to its immediate holding company to the extent of HK\$4,500 million was capitalised, details of which are mentioned in note 21(d). The remaining balance was fully settled during the year.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

26. Deferred Tax Liabilities

The deferred tax liabilities as shown in the consolidated balance sheet represent the Group's proportionate share of such liabilities or assets of the jointly controlled entities.

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st July, 2002	106,600	(14,700)	91,900
Charge (credit) for the year (note 7)	28,005	(3,500)	24,505
At 30th June, 2003	134,605	(18,200)	116,405
Charge (credit) for the year (note 7)	31,184	(9,300)	21,884
At 30th June, 2004	165,789	(27,500)	138,289

27. Interest Payable to a Jointly Controlled Entity

The balance represents interest payable due to Ring Road JV by the Group after elimination of the Group's proportionate share of the corresponding amount of the jointly controlled entities. The amount is unsecured, interest free and has no fixed repayment term. In view of the terms of the amount, the directors consider that it is not practicable to determine its fair value.

28. Other Interests Payable

Included in the balance at 30th June, 2003 was an amount of approximately HK\$28,565,000 which carried interest on the amount outstanding at commercial lending rates. The other interests payable were non interest-bearing.

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

29. Other Financial Liabilities

Other payables, accruals and deposits received principally comprise amounts outstanding for ongoing costs of operations. The directors consider that the carrying amounts of other payables, accruals and deposits received approximate their fair value.

30. Total Assets less Current Liabilities/Net Current Assets or Liabilities

The Group's total assets less current liabilities at 30th June, 2004 amounted to approximately HK\$14,898,329,000 (30th June, 2003: HK\$11,918,021,000). The Group's net current assets at 30th June, 2004 amounted to approximately HK\$1,460,160,000 (30th June, 2003: net current liabilities of HK\$148,443,000).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

31. Summary of Balance Sheet of the Company

	2003 HK\$'000	2004 HK\$'000
ASSETS		
Non-current assets	468	6,753,320
Current assets	–	1,433,642
Total assets	468	8,186,962
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	312	288,059
Reserves	–	7,867,930
	312	8,155,989
Non-current liability	156	27,344
Current liability	–	3,629
Total liabilities	156	30,973
Total equity and liabilities	468	8,186,962

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

32. Particulars of Principal Subsidiaries

The following list contains the particulars of the subsidiaries of the Company at 30th June, 2004 which principally affect the results or assets of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest held by the Company	Principal activity
Kingnice Limited	British Virgin Islands	Ordinary share US\$20,000	97.5%	Investment holding
Fan Wai Properties Limited	British Virgin Islands	Ordinary share US\$1	97.5%	Investment funding
Most Top Limited	British Virgin Islands	Ordinary share US\$1	100%	Investment holding
Hopewell China Development (Superhighway) Limited	Hong Kong	Ordinary shares HK\$2 Non-voting deferred shares HK\$4	97.5% of issued ordinary share capital	Investment in expressway project
Hopewell Guangzhou Ring Road Limited	British Virgin Islands	Ordinary share US\$1	100%	Investment in expressway project
Hopewell Guangzhou-Zhuhai Superhighway Development Limited	Hong Kong	Ordinary shares HK\$2 Non-voting deferred shares HK\$2	100% of issued ordinary share capital	Investment in expressway project

All the above subsidiaries are indirectly held by the Company.

33. Major Non-Cash Transaction

During the year, as part of the Corporate Reorganisation as referred to in notes 1 and 21, the Company allotted and issued 2,156,879,750 shares of HK\$0.1 each, credited as fully paid on capitalisation of an amount of HK\$4,500 million owing by the Company to its immediate holding company.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

34. Capital Commitments

At 30th June, 2004, GS Superhighway JV and Ring Road JV had outstanding commitment in respect of system for unification of toll collection and major repairs and maintenance contracted but not provided for amounting to approximately HK\$12 million (2003: nil) and HK\$11 million (2003: nil), respectively.

In addition, at 30th June, 2003, GS Superhighway JV had outstanding commitment in respect of repavement of asphalt for GS Superhighway contracted but not provided for amounting to approximately HK\$70 million.

35. Pledge of Assets

At 30th June, 2004, certain assets of the jointly controlled entities of the Group have been pledged to banks with a total net book value of approximately HK\$7,646,701,000 (2003: HK\$7,032,066,000) to secure general banking facilities granted to the jointly controlled entities. The net book value of these assets are analysed as follows:

	2003 HK\$'000	2004 HK\$'000
Toll roads	6,840,403	7,265,626
Bank deposits	117,983	319,211
Other assets	73,680	61,864
	7,032,066	7,646,701

In addition, the toll fee collection rights of GS Superhighway JV and Ring Road JV attributable to the Group have been pledged to banks to secure general banking facilities granted to the respective jointly controlled entities and 65% of the toll fee collection right of West Route JV attributable to the Group has been pledged to banks to secure general banking facilities granted to the jointly controlled entity.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

36. Related Party Transactions

Amounts owed by and from related parties are disclosed in the balance sheet and relevant notes.

During the year, the Group paid office and car parking rentals, air-conditioning and electricity charges to a fellow subsidiary amounting to approximately HK\$932,000 (2003: HK\$525,000).

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

Relationship	Nature of transaction	2003 HK\$'000	2004 HK\$'000
Other joint venture partner of GS Superhighway JV	Interest paid (note a)	595	596
	Reimbursement of operating expenses (note b)	5,795	6,600
	Consultancy fee paid (note b)	1,884	–
	Dividend paid and payable	423,900	619,740
Other PRC joint venture partner of Ring Road JV	Management fee paid (note b)	3,999	4,000
Other foreign joint venture partner of Ring Road JV	Management fee paid (note b)	2,000	2,000
	Interest income (note a)	39,460	38,148
Other PRC joint venture partner of West Route JV	Performance bonus (note b)	–	1,686

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

Guarantees had been given by the Company (the ultimate holding company of the Company before the Listing of the Company) and other foreign joint venture partner of Ring Road JV for bank loan facilities of RMB1,481 million granted to Ring Road JV for the years ended 30th June, 2004 and 2003.

Notes:

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

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

37. Subsequent Events

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

On 14th July, 2004, the Group entered into the Amending Agreements with the PRC partner of West Route JV for the investment in and the planning, design, construction and operation of Phase II of Western Delta Route through West Route JV. The details of the Amending Agreements have been set out in the announcement of the Company dated 14th July, 2004.

The Group is currently in the process of negotiating the terms of a possible co-operation with the PRC partner of West Route JV for the investment in and the planning, design, construction and operation of Phase III of Western Delta Route through West Route JV. The details of the terms of the possible co-operation in relation to Phase III of the Western Delta Route have been set out in the announcement of the Company dated 4th August, 2004.

38. Approval of Financial Statements

The financial statements on pages 39 to 72 were approved and authorised for issue by the Board of Directors on 6th September, 2004.