

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:

- (a) The land and buildings are situated in Hong Kong on medium-term leases.
- (b) 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>	
	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>	
	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>	
	<i>2002</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	Investment property revaluation reserve 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>2003</i>
	<i>HK\$'000</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.