



## **A. HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED ("HHI")**

HHI mainly invests in, constructs and operates the GS Superhighway and the Western Delta Route, comprising Phase I, II and III, through the PRC joint ventures during the year.

For the year ended 30 June 2009, GS Superhighway and Phase I West recorded a decrease in aggregate average daily traffic of 2% to 342,000 vehicles and an increase in aggregate average daily toll revenue of 3% to RMB9.36 million. Both the toll revenue of GS Superhighway and Phase I West increased, and the aggregate total toll revenue amounted to RMB3,416 million.

In response to the rising operating costs, HHI continued to apply effective measures to control the costs and enhance the operating efficiency of the joint venture companies. These ongoing measures included promoting

staff productivity, strengthening energy savings, containing the rise in administrative expenses and so on. In addition, HHI also reduced its finance costs by choosing flexible financial products offered by PRC banks with reasonable low interest rates to refinance loans bearing higher interest rates borrowed by the joint-venture companies.

The construction of Phase II West is planned to be completed and ready for operation by the end of June 2010. The opening of Phase II West to traffic will help expand HHI's toll revenue base. The application for the project approval of Phase III West is under review by the National Development and Reform Commission. Subject to the progress of approval, it is currently planned that construction of Phase III West will commence in 2010 and be completed in approximately 3 to 4 years. Although the market prices of construction materials have rebounded recently, they are still lower than those seen



in September 2008 when HHI entered into agreements for further investments in Phase II West. Since the prices of the steel required to complete Phase II West have been locked up at levels below which were provided in the increased investment budget in September 2008, it is expected that the final construction cost of Phase II West will be lower than the budgeted cost of RMB7,200 million.

The economic development of the western bank of the PRD region will be integrated, optimized and accelerated in view of the initiatives laid down in the Outline of the Eleventh Five-Year Plan for the National Economic and Social Development in Guangdong Province and the Outline of the Plan for the Reform and Development of the PRD (2008–2020) promulgated by the National Development and Reform Commission in December 2008. Moreover, the construction of the Hong Kong-Zhuhai-Macau Bridge is expected to commence earlier in late 2009. All these will facilitate the further expansion and enhancement of the regional



highway network, bringing synergy effect to the Western Delta Route.

In addition, it was also reported that the authorities concerned in PRC and Hong Kong have actively been studying to introduce a short-term quota for cross-border private cars. It is believed that arrangements are being considered to grant one-off cross-border licenses to Hong Kong registered private cars crossing the border at Shenzhen Bay Port before the end of 2009. HHI believes that such arrangements will be beneficial to GS Superhighway.



Project Summary

# GUANGZHOU-SHENZHEN SUPERHIGHWAY

<b>Location</b>	Guangzhou to Shenzhen, Guangdong, PRC
<b>Length</b>	122.8 km
<b>Lane</b>	Total six lanes in dual directions
<b>Class</b>	Expressway
<b>JV Contractual Operation Period</b>	Jul 1997 – Jun 2027
<b>Profit Sharing Ratio</b>	Year 1-10: 50%; Year 11-20: 48%; Year 21-30: 45%



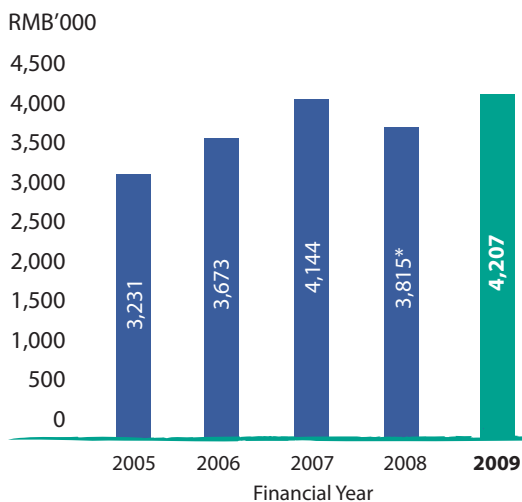
## Guangzhou-Shenzhen Superhighway

GS Superhighway is a 122.8 km long, fully lit, closed expressway with a total of six lanes in dual directions. Currently, it is the only expressway connecting Guangzhou, Dongguan, Shenzhen and Hong Kong. It is also the major artery in the PRD highway network with connections to Guangzhou Ring Road, Guangzhou Second Ring Road (northern and eastern sections), Humen Bridge and Changhu Expressway in Dongguan, Jihe Expressway and Nanping Expressway in Shenzhen, as well as some major cities, ports and airports in the region.

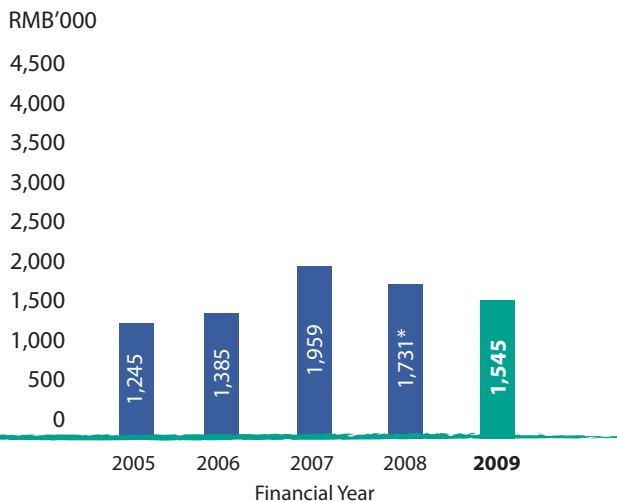
During the year under review, GS Superhighway’s average daily traffic slid 2% to 314,000 vehicles as compared to that of last year, while its average daily toll revenue increased 3% to RMB8.95 million. The total annual toll revenue amounted to RMB3,266 million.

The maintenance and improvement works of the north-bound lanes of the Xintang to Dongguan section of GS Superhighway had been completed and the section was re-opened to traffic on 9 July 2008. Its toll revenue and traffic had gradually been

**Class 1 — Average Daily Toll Revenue (FY2005-2009)**



**Classes 4 & 5 — Average Daily Toll Revenue (FY2005-2009)**



\* Part of GS Superhighway closed for maintenance in phases during October 2007 to July 2008



rebounding. However, since the fourth quarter of 2008, the import and export trades of Guangdong have slumped due to the financial tsunami and the global economic downturn. In the first half of 2009, the aggregate amount of imports and exports fell 21% as compared to the same period last year. In addition, due to the continuous implementation of the “Green-Lane” policy as well as the traffic diversion caused by the new roads nearby, the toll revenue and traffic of GS Superhighway recovered at a pace slower than expected. The traffic slightly dropped 2% as compared to that of last year. Nevertheless the traffic and toll revenue of Class 1 small cars rose to a historical high level, whereas that from Classes 4 and 5 commercial vehicles had stabilized after a drop in the first quarter of 2009. Currently, the daily toll revenue has rebounded to a level comparable to that of 2006 when the historical high of daily toll revenue was recorded. HHI believes that following the economic recovery of Guangdong, the traffic and toll revenue of GS Superhighway will regain their momentum of growth.



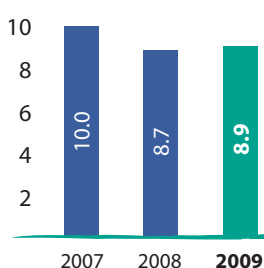
From mid-July to December of 2009, the section between Guangqing interchange and Cencun interchange of Guangzhou Northern Ring Road is completely closed

for maintenance works. Some vehicles may have to take a detour to enter or exit GS Superhighway. Preliminary observations showed that the closure would have minimal impact on the traffic and toll revenue of GS Superhighway.

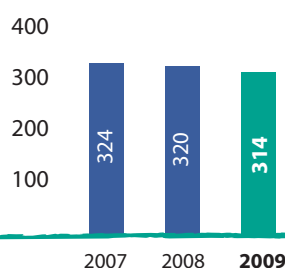
HHI and the joint venture companies have always attached great importance to traffic safety. Over the years, ample resources have been deployed to upgrade and enhance the safety and service facilities of GS Superhighway, with a view to providing drivers with a safe, comfortable and speedy expressway. An intelligent traffic management system, jointly installed by the joint venture company and the Traffic Management

## GUANGZHOU-SHENZHEN SUPERHIGHWAY

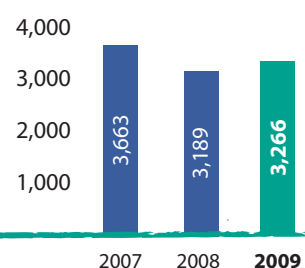
**Average Daily Toll Revenue (RMB'm)**



**Average Daily Traffic (No. of vehicles in thousand)**



**Annual Toll Revenue (RMB'm)**



Department of Guangdong Provincial Public Security Bureau, was completed and put into operation in January 2009. GS Superhighway is now the first model toll expressway in Guangdong to have adopted such an intelligent system. The system helps further enhance the efficiency of traffic surveillance in detecting and handling traffic accidents so as to minimize congestions and casualties. In addition, in collaboration with the traffic police, the close supervision of the 100 plus traffic surveillance cameras along the road and the use of global positioning system installed in GS Superhighway's patrol and rescue vehicles, the joint venture company is able to attain the "4-Fast" principles of traffic accident handling, namely, "Fast Discovery, Fast Arrival, Fast Handling and Fast Clearance", to ensure smooth traffic.

In July 2008, HHI, through GS Superhighway's joint venture company, co-organized a large-scale, province-wide traffic safety educational promotion campaign with the Traffic Management Department of Guangdong Provincial Public Security Bureau. Over 100,000 volumes of Chinese literature «Analects of Confucius» inserted with traffic safety tips were distributed to the general public free of charge, for the dual purpose of promoting traffic safety and traditional Chinese culture.

Since the opening of the GS Superhighway over a decade, the joint venture company has developed into one of the most sizeable and well-managed corporations in PRC highway industry. In mid-2009, it sets up a corporate culture department so as to further strengthen its core values, promote

management quality, enhance corporate competitiveness, foster cohesion and team spirit among the staff, and bring into full play the corporate mission of delivering quality services.

To meet the rising traffic demand, the feasibility study on widening GS Superhighway to an expressway with a total of ten lanes in dual directions is being conducted and fine-tuned. Upon completion, an application will be submitted to the authorities for approval according to the relevant regulations.

According to media reports, the construction works of the 49 km Dongguan section and the 30 km Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway are planned to be completed by the end of 2010 and by the end of 2012 respectively. HHI will pay attention to its progress. Given GS Superhighway's strategic location in the highway network of the PRD region and its planned expansion into a ten-lane expressway, HHI believes that its leading position as the main artery within the region can hardly be surpassed.





## Project Summary

# PHASE I WEST

<b>Location</b>	Guangzhou to Shunde, Guangdong, PRC
<b>Length</b>	14.7 km
<b>Lane</b>	Total six lanes in dual directions
<b>Class</b>	Expressway
<b>JV Contractual Operation Period</b>	Sep 2003 – Sep 2033
<b>Profit Sharing Ratio</b>	50%

### **Phase I of the Western Delta Route**

The Western Delta Route is scheduled to be built in three phases. Its first phase, Phase I West, has commenced operation since April 2004. Phase I West is a 14.7 km closed expressway with a total of six lanes in dual directions connecting ESW Ring Road to the north, and National Highway 105 and Bigui Road of Shunde to the south. Currently, it is the only expressway linking Guangzhou and Shunde. Phase I West made profits and generated positive cash flow in its first full year of operation in financial year 2004/05.

The growth in traffic and toll revenue of Phase I West slackened during the year, primarily because of the slump in import and export trades in Guangdong and the mutual recognition of vehicles' annual passes between Guangzhou and Foshan since October 2008. Under this mutual recognition, vehicles of either city are exempted from paying toll for using grade 1 toll roads and toll bridges of the other city. Moreover, the substantial growth in traffic and toll revenue of Phase I West last year after ESW Ring Road became toll-free since September 2007 resulted in higher base figures. During the year, Phase I West's average daily traffic was 28,000 vehicles which was comparable to that of last year, and average daily toll revenue rose 1% to RMB409,000.

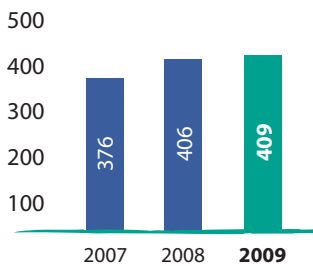
The total annual toll revenue amounted to RMB149 million.

From mid-July to December of 2009, the section between Guangqing interchange and Cencun interchange of Guangzhou Northern Ring Road is completely closed for maintenance works. Some vehicles may detour ESW Ring Road to access GS Superhighway. This may cause traffic congestion in ESW Ring Road at the section linking Phase I West and may affect the latter's traffic and toll revenue. However, since mid-August 2009 to end March 2010, the Sanshan West Bridge leading to the Sanshan Container Port in Nanhai is fully closed for maintenance works. Most vehicles, especially trucks, are to be diverted to Phase I West according to the recent traffic police public notice. Taking into account of the net effect of the two closures, it is expected that the traffic and toll revenue of Phase I West will have a mild growth in the coming year.

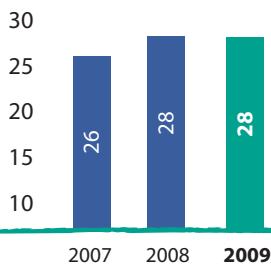
According to the highway network planning of Guangzhou and Foshan, several highways currently under planning or construction will be connected to Phase I West upon completion in the next few years. These include Foshan First Ring Road extension link, Pingzhou-Danzao Expressway and Pingzhou-

## PHASE I WEST

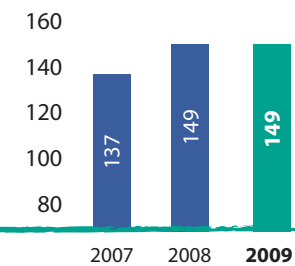
**Average Daily Toll Revenue** (RMB thousand)



**Average Daily Traffic** No. of vehicles (in thousand)



**Annual Toll Revenue** (RMB'm)



Nansha Expressway as well as Guangzhou-Gaoming Expressway etc., all of which will serve as drivers for the future growth of Phase I West and the entire Western Delta Route. Besides, the largest railway station in Asia situated in Panyu District of Guangzhou, adjacent to Phase I West, is scheduled to commence operation in phases by the end of 2009, and set to boost the passenger car traffic of Phase I West. In the near future, Phase I West is expected to benefit from the robust economic growth of Foshan and the

completion of the connecting expressways and railway station nearby. Moreover, as Phase II West is going to commence operation by the end of June 2010, Phase I West will become more competitive and more dynamic in its future growth.





### Project Summary

## PHASE II WEST

<b>Location</b>	Shunde to Zhongshan, Guangdong, PRC
<b>Length</b>	Approx. 46 km
<b>Lane</b>	Total six lanes in dual directions
<b>Class</b>	Expressway
<b>JV Contractual Operation Period</b>	Apr 2007 – Sep 2038
<b>Profit Sharing Ratio</b>	50%

### Phase II of the Western Delta Route

Phase II West is a 46 km closed expressway with a total of six lanes in dual directions. It is connected to Phase I West in Shunde at the northern end and extends southwards to Zhongshan, linking with the National Highway 105 and the proposed Xiaolan Expressway and the new Qijiang Highway in Zhongshan. Upon completion, Phase I West and Phase II West will be the only expressways linking Guangzhou to the central area of Zhongshan. The construction of Phase II West is currently planned to be completed and operational by the end of June 2010.

According to the reasons stated in the joint announcement made by the Company and HHI on 2 September 2008, the investment budget for Phase II West was adjusted to RMB7,200 million. HHI therefore entered into an amendment agreement for the joint investment in, construction and operation of Phase II West with its PRC partner (the same PRC partner of Phase I West) on the same day to increase HHI's share of the registered capital for the project by approximately RMB402.5 million. The agreement has been submitted to the Ministry of Transport and the National Development and Reform Commission for approval.

Although the market prices of construction materials have rebounded recently, they are still lower than those seen in September 2008 when HHI entered into the agreement for further investment in Phase II West. Moreover, since the prices of the steel required to complete Phase II West have been locked up at levels below which were provided in the increased investment budget, it is expected that the final construction cost of Phase II West will be lower than the budgeted cost of RMB7,200 million.

The difference between the budgeted investment amount and the registered capital of Phase II West is financed by banks in PRC. Loan facility has been obtained by the joint venture company.

Based on the annual toll revenue for the first full year of operation of GS Superhighway and Phase I West, Phase II West is targeted to achieve a breakeven of cash flow in its first full year of operation. Preliminary estimation suggests that if Phase II West's annual toll revenue for its first full year of operation amounts to approximately RMB6.5 million per kilometer, a breakeven of cash flow will be achieved. If it is over RMB9.5 million, profits will be attained. During the year under review, the toll revenue of Phase I West amounted to about RMB10 million per kilometer.





#### Project Summary

## PHASE III WEST

<b>Location</b>	Zhongshan to Zhuhai, Guangdong, PRC
<b>Length</b>	Approx. 38 km
<b>Lane</b>	Total six lanes in dual directions
<b>Class</b>	Expressway
<b>JV Contractual Operation Period</b>	Subject to the approval of the relevant PRC authorities
<b>Profit Sharing Ratio</b>	Proposed 50%

### Phase III of the Western Delta Route

Phase III West is a 38 km closed expressway with a total of six lanes in dual directions. It is connected to Phase II West in Zhongshan at the northern end and extends southwards to connect to the highway network in Zhuhai.

According to the joint announcement made by the Company and HHI on 2 September 2008, the investment budget for Phase III West was adjusted to RMB5,600 million. Similar to the case of Phase II West, HHI entered into an amendment agreement for the joint investment in, construction and operation of the Phase III West with its PRC partner (the same PRC partner of Phase I West) on the same day to increase HHI's share of the registered capital for the project by approximately RMB409.5 million. The agreement is now being processed by the National Development and Reform Commission. Subject to the progress of approval, Phase III West is currently planned to commence construction in 2010 and to be completed in approximately 3 to 4 years.

To encounter the global financial tsunami and as an incentive for enterprises to invest in the construction of capital asset projects, PRC Government has lowered the minimum capital requirements since early 2009 for certain qualified projects of which their construction has not yet started. In particular, the capital requirement for expressway projects has been lowered from 35% to 25% of the total investment amount. Phase III West is expected to benefit from this change. When the approval of the relevant authorities is obtained, the capital which HHI is required to inject into Phase III West will be reduced by RMB280 million, from RMB980 million to RMB700 million.

HHI will endeavour to expedite the construction of Phase II West and Phase III West and have them completed earlier. It is expected that upon full completion, the Western Delta Route will be the only expressway linking up Guangzhou, Foshan, Zhongshan and Zhuhai, as well as the most direct and convenient expressway leading to Macau. It will become a strategic expressway on the western bank of the PRD region.



## B. HEYUAN POWER PLANT

Heyuan Power Plant Project is a 2 x 600 MW ultra super-critical coal-fired power plant located in Heyuan City. It is one of the most efficient and environmental friendly coal-fired power plants in Guangdong Province today.

The Group currently holds 35% effective interest in Heyuan Power Plant which is a joint venture between our subsidiary and Shenzhen Energy Group Company Limited. The joint venture builds, owns and operates the power plant. The project cost is planned to be about RMB5.2 billion, of which 30% as equity has been fully injected and the remaining RMB3.64 billion is funded by a syndicated project loan signed in February 2008.

Based on generation technology, the power plant has achieved higher plant efficiency than the sub-critical technology used in China. Heyuan Power Plant is in the process of applying for Clean Development Mechanism ("CDM") of the Kyoto Protocol. In addition to the revenue from power sales, the project may benefit from CDM in generating other source of income. Unit 1 of the power plant has commenced operation in January 2009, and the total electricity generated during the first half of 2009 was 1,134GWh. Unit 1 average utilization rate was 44% in the financial year ended 30 June 2009, as capacity was limited by certain new transmission lines which were not yet completed until 27 July 2009. After the commencement of operation of Unit 2 in August 2009 and the completion of such new transmission lines, the combined average utilization rate of Units 1 and 2 reached 75% in the first week. The project will supply electricity to Guangdong Province, in particular to Heyuan and Huizhou City.

In July and August 2008, the on-grid tariff rate with desulphurization of Guangdong's coal fired power plants was increased twice by 11% from RMB 0.4532/kWh to RMB0.5042/kWh. The currently approved tariff rate for Unit 1 is RMB0.4892/kWh. Application for an increase of tariff rate for desulphurization is in process. Qinhuangdao's coal price (5,500 kcal/kg) has also substantially fallen 46% from the peak



in 2008 to the level of RMB560/ton at the end of June 2009. Such improved business environment alleviates the pressure on the profitability of the PRC power industry operators. In the financial year ended 30 June 2009, the joint venture company had an operating profit with Unit 1 in operation for 6 months. This was on the back of average coal price of RMB550/ton and on-grid tariff rate of RMB0.4892/kWh. However, a net loss was recorded for the financial year ended 30 June 2009, mainly due to the pre-operating expenses incurred. With Unit 2 commencing operation in August 2009 and based on the current coal price of RMB560/ton, on-grid tariff rate with desulphurization of RMB0.5042/kWh and 60% utilization rate, the Heyuan Power Plant project is targeted to have a positive contribution in the financial year ended 30 June 2010.

With a goal to achieve an 8% GDP growth in 2009, the PRC government has introduced a RMB4 trillion stimulus package to boost its economy, which is further supported by the launching of a moderately loose monetary policy. RMB7 trillion new bank facilities have been made by the commercial banks in China for the first half of 2009. As a result, an increase of 7.1% in the GDP of PRC was recorded for the first half of 2009, and it rose 7.9% in the second quarter of 2009 alone. Despite there is a negative growth of 4.5% in the electricity consumption in Guangdong Province for the first half of 2009, a positive growth of 6.7% was recorded for June 2009, compared to the same period of last year. Given the steady power demand in Guangdong, the management is confident that Heyuan Power Plant project will offer reasonable and stable return in the long term.