

For the financial year ended 30th June, 2004, the Group's investment in GS Superhighway and ESW Ring Road achieved strong growth. As compared with the previous year, tolled traffic at the joint venture level for both expressways increased 22%, and toll revenue increased 20% and 27%, respectively. The third toll expressway project, Phase I West, commenced operation on 30th April, 2004 ahead of the original schedule and started contribution to the Group's revenue.

The continued growth in our operations has been a result of a variety of factors, all of which point to the robust economic growth of the PRD. The People's Republic of China's

Operations Review



("PRC") open-door economic policy has led to initiatives such as its entry in the WTO, the creation of CEPA, the Pan-PRD programs, and the opening of the Guangzhou New Baiyun International Airport and various industrial and economic zones and seaports. These will no doubt collectively further enhance the growth of the PRD.

Today, the PRD has become one of the world's most important manufacturing centers in the world, and is increasingly becoming more competitive on a worldwide basis. As HHI's primary business focus will continue to be in the PRD, HHI aims to grow and expand our business in tandem with the region.

**Earnings before
interest and tax**

923 HK\$
million



The GS Superhighway is a 122.8 km, dual three lane closed system toll expressway. There are 18 toll stations along the route, which is fully lit and installed with computerized toll collection, surveillance, and data communication systems. GS Superhighway is a key arterial expressway in the PRD, connecting airports, ports and major cities and is the only expressway linking up Guangzhou, Dongguan, Shenzhen and Hong Kong. Both traffic flow volume and toll revenue continued to record strong growth since it opened in 1994.

Maintaining a high quality standard of expressways is of paramount importance to HHI. This year, the joint venture company completed repaving the final sections of GS Superhighway, completing a two-year program that eventually saw the repavement

Guangzhou-Shenzhen Superhighway (GS Superhighway)



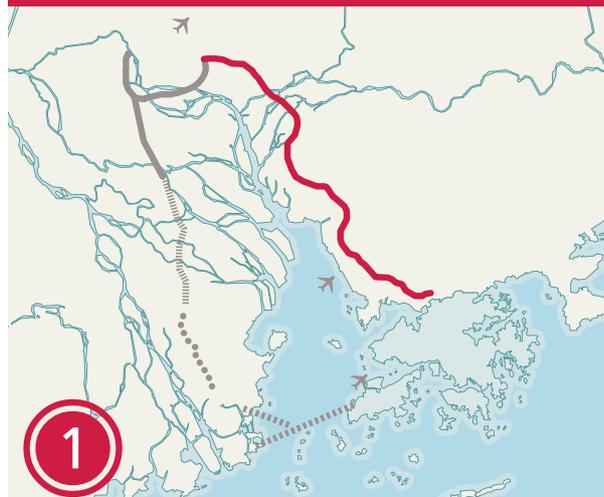
of approximately 100 km of expressway. Additional toll lanes at some stations have also allowed for better throughput of traffic.

Another major program to enhance the flow of traffic completed this year was the widening from three to four lanes (each way) for a 2.7 km stretch of expressway between Hezhou and Fuyong.

Even during the implementation of these improvement works, average daily traffic still increased by 22% from 155,394 to 188,768, and average daily revenues increased by 20% from RMB 5.78 million to RMB 6.90 million, over the last financial year at the joint venture level.



PROJECT SUMMARY



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

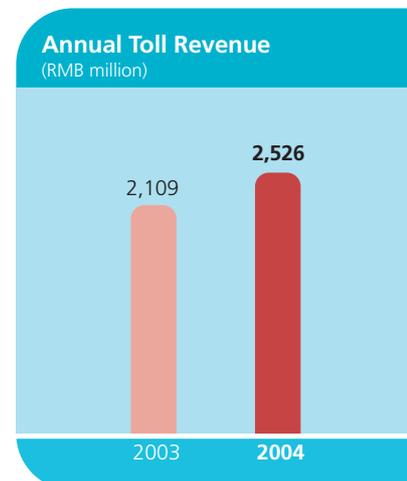
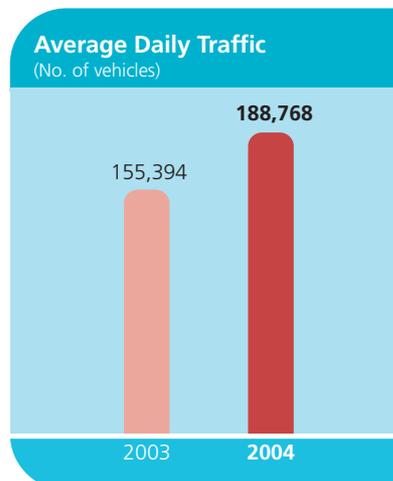
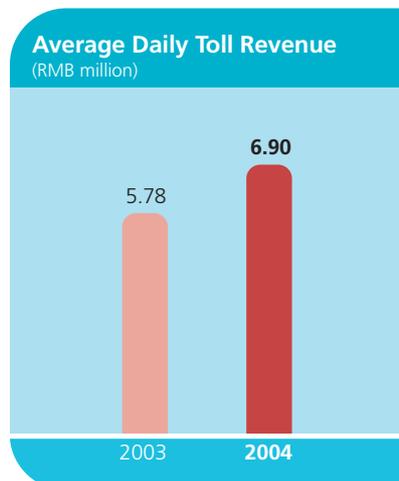
In our efforts to continue to improve the safety for traffic traveling on GS Superhighway, the joint venture company continues to carry out works such as improving road lighting, installing antidazzle boards and better road signs, as well as upgrading traffic monitoring and management systems. Landscaping at interchanges along the expressway and under bridges are also being carried out to improve the aesthetics.

The Group believes that the economic growth in the PRD region, together with the continuous improvement in ancillary traffic facilities and service quality, will continue to drive the traffic and revenue growth of GS Superhighway.

Guangzhou-Shenzhen Superhighway (GS Superhighway) *(continued)*



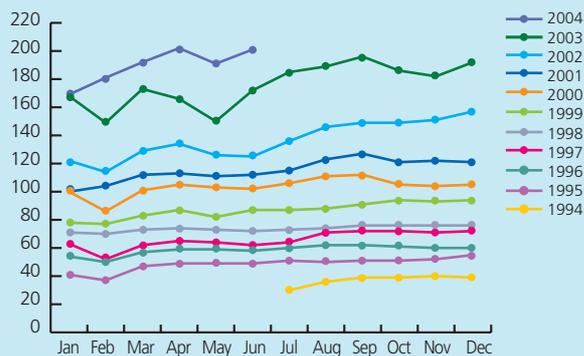
GS Superhighway Joint Venture



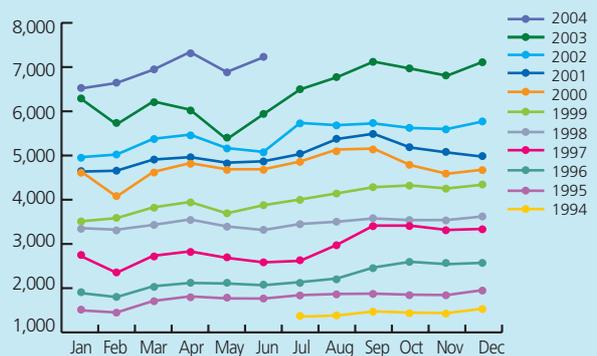


GS Superhighway Joint Venture

Average Daily Traffic
(No. of vehicles in thousand)



Average Daily Toll Revenue
(RMB thousand)



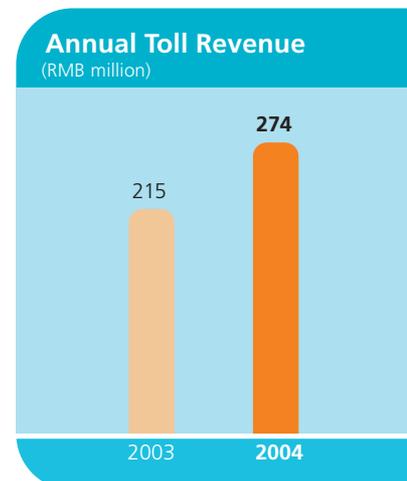
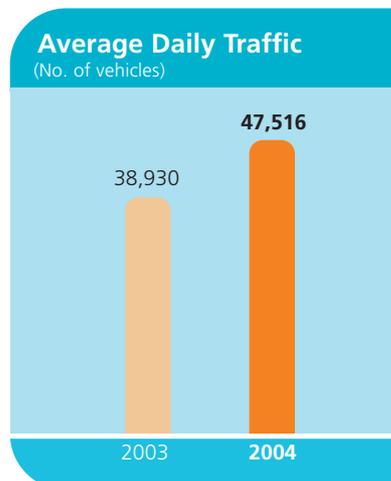
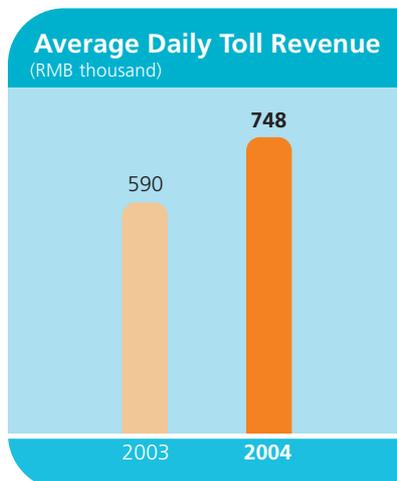
The ESW Ring Road, is a 38 km long closed system expressway with dual three lanes, 11 interchanges and computerized toll collection and surveillance and telecommunication systems. It is connected to the Guangzhou Northern Ring Road to form a ring road around the major commercial and trading centers of Guangzhou. Through the interchanges, ESW Ring Road closely connects to other nearby expressways and many major routes around Guangzhou city.

Over the past year, the ESW Ring Road continued to record robust growth. At the joint venture level, average daily tolled traffic figure was 47,516, 22% higher than last year's figures and annual toll revenue reached RMB 274 million, 27% higher than the previous financial year.

Guangzhou East-South-West Ring Road (ESW Ring Road)



ESW Ring Road Joint Venture



Phase I West is a 14.7 km closed system dual three lane expressway project. It connects the ESW Ring Road in the north to National Highway 105 and Bigui Road in the south.

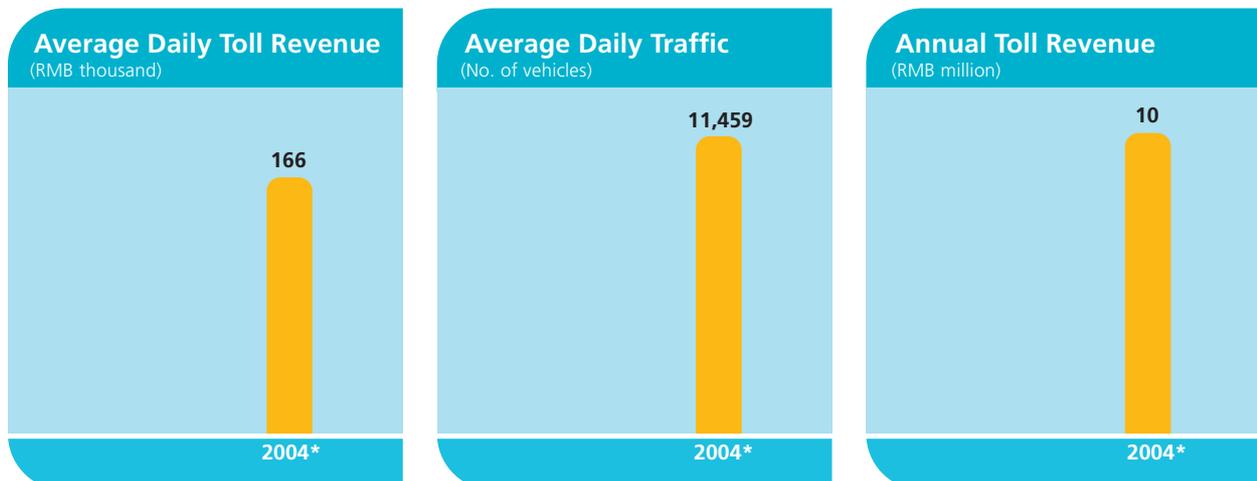
Phase I West was opened to traffic on 30th April, 2004, 2 months ahead of schedule. The relevant authority of the Guangdong provincial government judged the Phase I West works as one of the top quality projects in the province.

Currently, Phase I West is the only expressway linking Guangzhou and Shunde. It provides a speedy transportation link and reduces the traveling time between the two cities from 40 minutes to approximately 10 minutes. Traffic flow and toll revenue have been growing strongly since operations started. Up to the end of June 2004, average daily traffic was 11,459 at the joint venture level.

Phase I of the Western Delta Route (Phase I West)



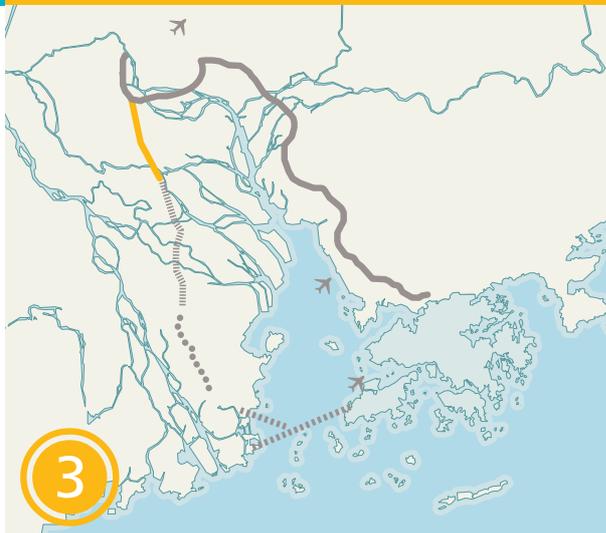
Phase I West Joint Venture



* Operation started on 30th April, 2004 and hence the number represents 2 months' results only.



PROJECT SUMMARY

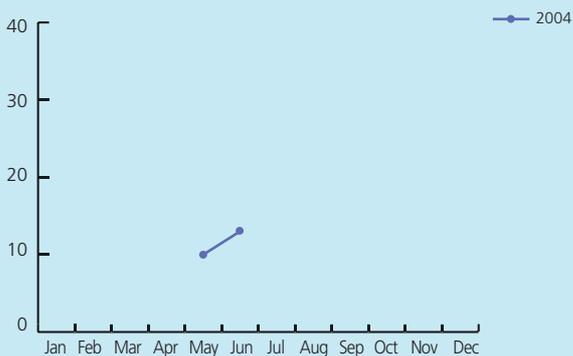


| | |
|---------------------------------|-------------------------------------|
| Location | Guangzhou to Shunde, Guangdong, PRC |
| Length | 14.7 km |
| Lane | Dual three lane |
| Class | Expressway |
| JV Contractual Operation Period | Sep 2003 - Sep 2033 |
| Profit Sharing Ratio | 50% |



Phase I West Joint Venture

Average Daily Traffic
(No. of vehicles in thousand)

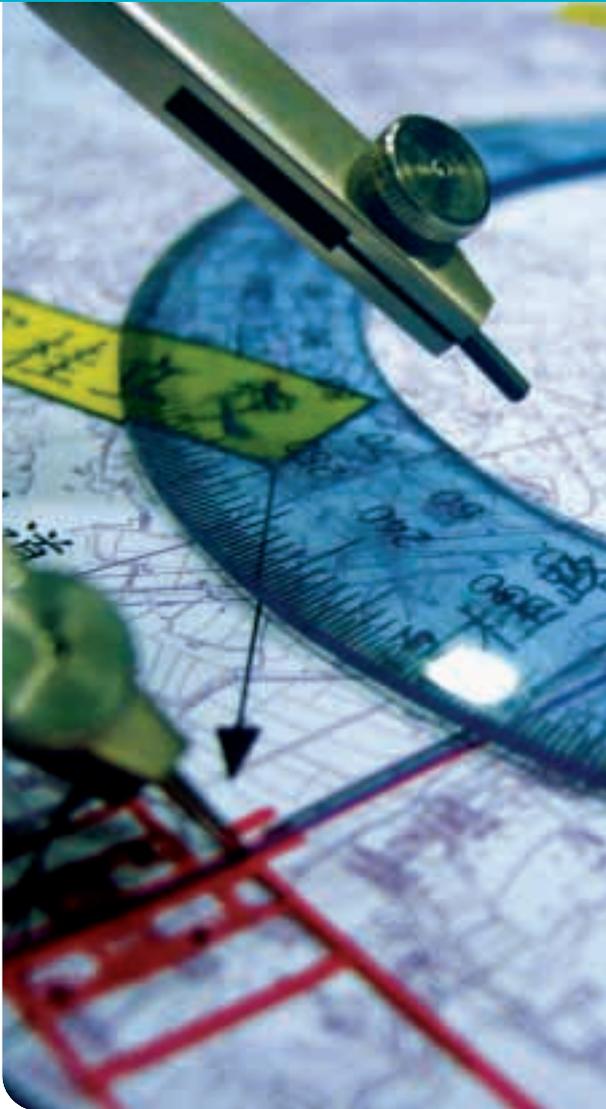


Average Daily Toll Revenue
(RMB thousand)

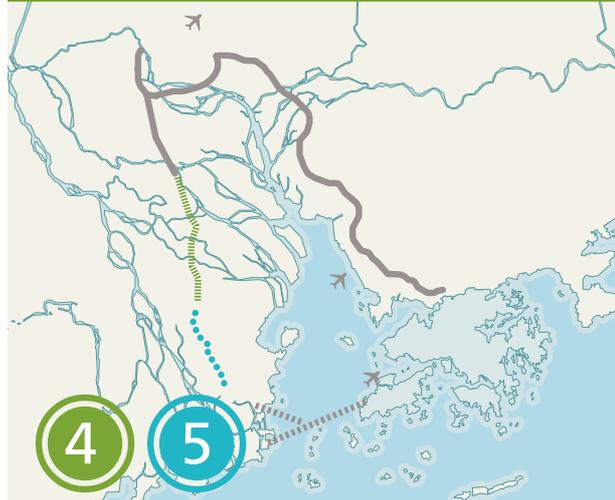


The Western Delta Route comprises Phases I, II (previously referred to as Phases 2 and 3) and III. The 14.7 km Phase I West project was completed and started operations on 30th April, 2004. On 14th July, 2004, the Group conditionally amended their agreements with the PRC partner of Phase I West to invest, construct and operate Phase II of the Western Delta Route ("Phase II West"). Phase II West will be approximately 46 km length of expressway linking Shunde to Zhongshan. In addition, the Group is currently in the process of negotiating the terms of a possible co-operation with the PRC partner of Phase I West and Phase II West to also invest, construct and operate Phase III of the Western Delta Route ("Phase III West"). On completion of the Western Delta Route, an arterial expressway system directly linking Guangzhou, Nanhai, Shunde, Zhongshan and Zhuhai will be formed, creating a strategic route in that area.

Future Projects — Phases II and III of Western Delta Route



PROJECT SUMMARY



Phase II West

| | |
|---------------------------------|--|
| Location | Shunde to Zhongshan, Guangdong, PRC |
| Length | Approx. 46 km |
| Lane | Dual three lane |
| Class | Expressway |
| JV Contractual Operation Period | Proposed 30 years from date of issue of new business licence |
| Profit Sharing Ratio | Proposed 50% |

Phase III West

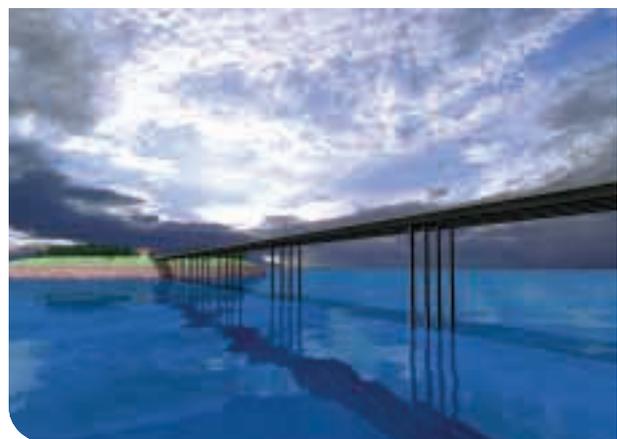
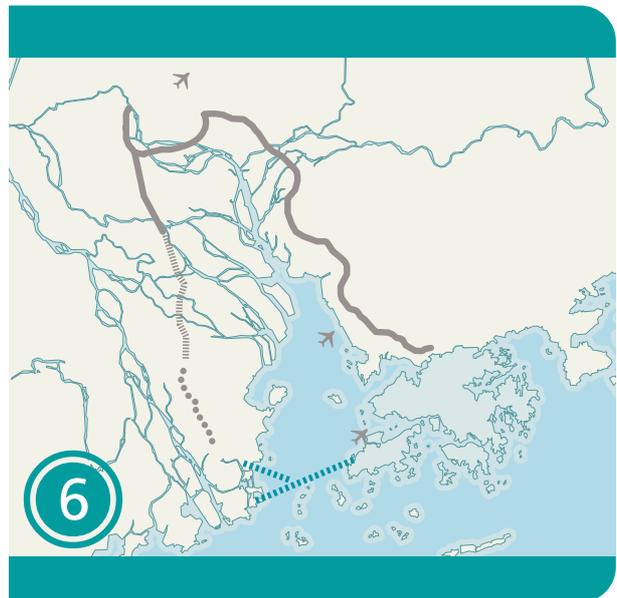
| | |
|---------------------------------|--|
| Location | Zhongshan to Zhuhai, Guangdong, PRC |
| Length | Routing not confirmed yet |
| Lane | Dual three lane |
| Class | Expressway |
| JV Contractual Operation Period | Proposed 30 years from date of issue of new business licence |
| Profit Sharing Ratio | Proposed 50% |

The proposed 29 km Y-shaped bridge will connect Hong Kong, Zhuhai and Macau. In the past 12 months, the Guangdong, Hong Kong SAR and Macau SAR governments formed a joint working committee to push forward and organise the related preliminary works of the project. In early 2004, the Guangdong, Hong Kong SAR and Macau SAR governments appointed the China Highway Planning and Design Institute Consultants, Inc. to undergo a feasibility study of the Hong Kong-Zhuhai-Macau bridge project. The Group believes when the project advances further, it will be in an advantageous position to take up an important role.

Hong Kong-Zhuhai-Macau Bridge Project



**Artistic impression*



**Artistic impression*