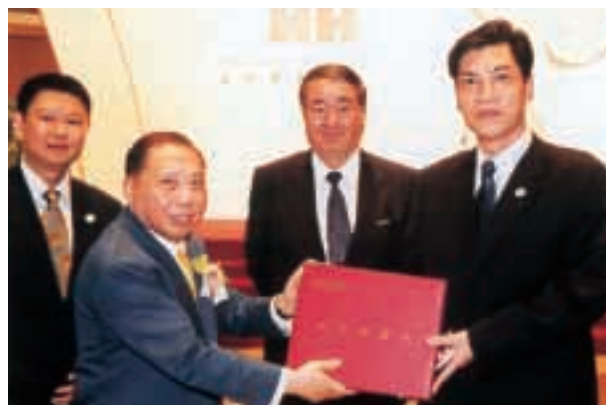


HH HOPEWELL HOLDINGS LIMITED
合和實業有限公司

ANNUAL REPORT 2002 二零零二年 年報



30th Anniversary Cocktail Reception
三十周年慶祝酒會
22-8-2002



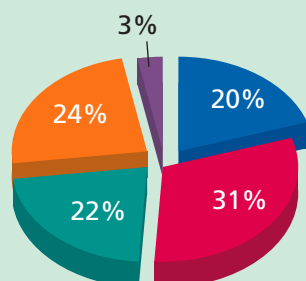


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Financial Highlights

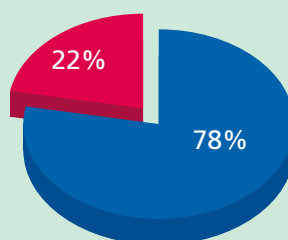
Turnover
by activity



Total = HK\$1,132 million

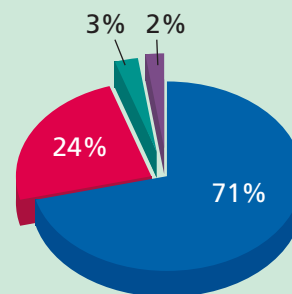
- Infrastructure project investments
- Property letting, agency & management
- Hotel & food operations
- Construction & project management
- Others

Turnover
by country



- Hong Kong
- Other regions in the PRC

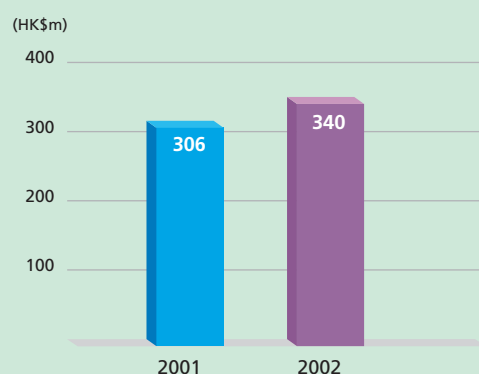
Earnings before
interest and tax



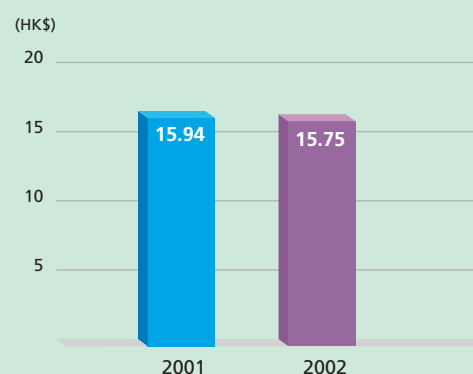
Total = HK\$953 million

- Infrastructure project investments
- Property letting, agency & management
- Hotel & food operations
- Others

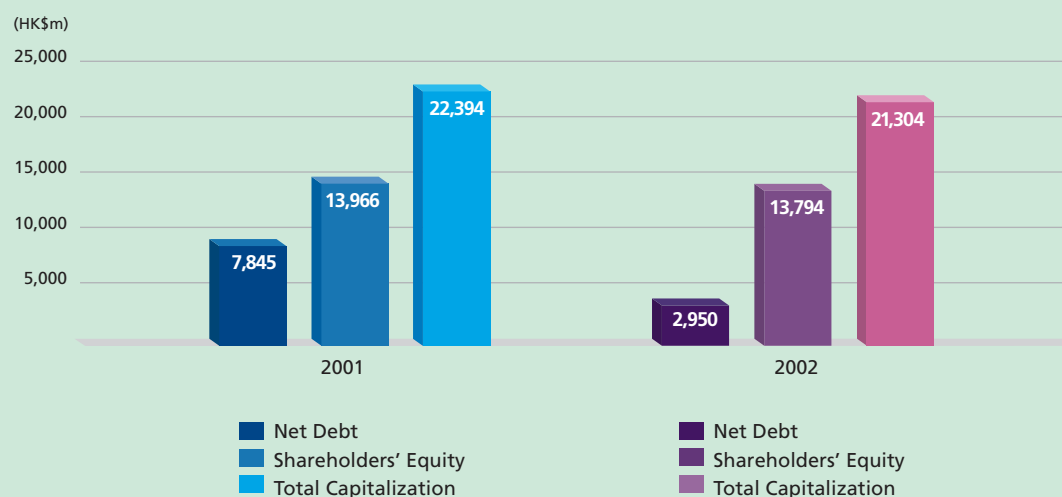
Profit Attributable to Shareholders



Net Assets Value Per Share



Net Debt versus Equity and Total Capitalization



5 Year Financial Summary

Year ended 30th June,

Consolidated Results (in HK\$ million)

	1998	1999	2000	2001	2002
Turnover	1,476	1,348	1,572	1,750	1,132
Profit (loss) from ordinary activities before taxation	(2,883)	205	193	336	363
Taxation	(49)	(32)	(20)	(27)	(13)
Profit (loss) before minority interests	(2,932)	173	173	309	350
Minority interests	(1)	(3)	(6)	(3)	(10)
Profit (loss) attributable to shareholders	(2,933)	170	167	306	340

As at 30th June,

Consolidated Assets and Liabilities (in HK\$ million)

	1998	1999	2000	2001	2002
Investment properties	8,957	7,222	6,358	6,385	5,986
Property, plant and equipment	1,169	1,185	1,154	1,119	1,119
Properties for or under development	834	864	935	662	832
Interests in jointly controlled entities	16,632	16,194	15,680	14,569	8,590
Restricted/pledged bank deposits	92	110	101	87	1,833
Other non-current assets	663	504	514	497	727
Current assets	2,908	1,863	2,067	875	4,038
Total assets	31,255	27,942	26,809	24,194	23,125
Current liabilities	(4,672)	(3,766)	(3,484)	(2,205)	(4,915)
Non-current liabilities	(10,507)	(9,652)	(9,593)	(8,010)	(4,396)
Minority interests	(1)	(5)	(10)	(13)	(20)
Shareholders' equity	16,075	14,519	13,722	13,966	13,794

Note:

The consolidated results, assets and liabilities shown above have been restated, where appropriate, following the adoption of Statements of Standard Accounting Practice No. 9 (Revised), No. 28 and No. 30 issued by the Hong Kong Society of Accountants.

Chairman's Statement

"After years of dedicated efforts, the Group's gearing ratio has been reduced to a reasonable level and its financial position reconsolidated."



I am pleased to report the following to the shareholders:

Consolidated Results

The Group's recurring earnings before interest and tax for the year ended 30th June, 2002 is HK\$953 million, compared with HK\$1,011 million of the same period last year. Net profit increased by 11% over the previous year to HK\$340 million. Earnings per share is HK38.8 cents as compared with HK34.9 cents last year.

Dividend

The Board of Directors has decided to recommend the payment of a final dividend of HK7 cents per share for the year ended 30th June, 2002 (2001: HK7 cents per share). Together with the interim dividend of HK6 cents per share paid on 30th April, 2002, total dividends for the year ended 30th June, 2002 will amount to HK13 cents per share (2001: HK12 cents per share), an increase of 8% over that of the previous year. The Register of Members of the Company will be closed from Friday, 11th October, 2002 to Thursday, 17th October, 2002, both dates inclusive, during which period no transfer of shares of the Company will be effected. Subject to the approval of shareholders at the Annual General Meeting to be held on 17th October, 2002, the final dividend will be paid on or about 22nd October, 2002 to shareholders as registered at the close of business on 17th October, 2002.

30th Anniversary Special Dividend

In view of the substantial strengthening of its financial position, on the occasion of the 30th Anniversary of the Group, the Board of Directors has decided to recommend the additional payment of a 30th Anniversary Special Dividend of HK30 cents per share. Subject to the approval of shareholders at the Annual General Meeting to be held on 17th October, 2002, the 30th Anniversary Special Dividend will be paid on or about 22nd October, 2002 to shareholders as registered at the close of business on 17th October, 2002.

Market and Business Review

2001/02 was an extremely challenging year. Weak economic conditions abroad, the structural change of Hong Kong's economy, the persistently high unemployment rate and the slow recovery of the local economy have led to a difficult business environment in Hong Kong. In contrast, boosted by the official entry into the World Trade Organization in December last year, the robust import and export trade and the strong increase in consumer spending, the economy of Mainland China was performing well.

The Group's primary businesses are in Guangdong and Hong Kong. The Group's property and hotel businesses in Hong Kong have been affected by the 911 incident but mitigated by the cost-cutting and intense marketing. The Group's transportation projects in the Mainland maintained steady growth due to strong economic growth in the Pearl River Delta. During the year, the Group also took the opportunity to improve the quality of its investments in the Mainland through the disposal of non-core assets and the refinancing of debts of two joint venture companies to further reduce interest expenses. As a result, the Group's net profit has improved in comparison with last year.

Infrastructure

Since the implementation of the Open Door Policy, the Group has been actively investing in transportation infrastructure projects in the Pearl River Delta region of the Guangdong Province. Last year, the GDP growth of the Guangdong Province is 9.5% and it remains one of the high growth provinces in China, in particular, the Pearl River Delta region maintained its rapid rate of development. In recent years, due to the gradual perfection of the transportation network, the increasing flow of people and goods, the increase in average income of the population and the rapid growth of privately owned vehicles in the Pearl River Delta region, highway usage maintained a steady growth.

In the past year, the average daily traffic of the Guangzhou-Shenzhen Superhighway reached 123,000 vehicles, an increase of 14% over the previous year. Toll revenue also increased by 7% to RMB1,892 million. Average daily traffic and toll revenue of the Shunde Roads increased by 3% while those of the Shunde 105 Road increased by 9%. The average daily traffic of the Guangzhou East-South-West Ring Road recorded 33,000 vehicles and a slight increase of 2% in toll revenue, as some of the interchanges and the local connecting roads are yet to be completed.

Share of the joint venture companies' results in infrastructure business attributable to the Group was HK\$516 million, an increase of 110% over last year. During the year, part of the loans advanced by the Group to the joint venture companies was repaid, allowing

the Group to repay other debts and improve its financial situation. However, the interest income from the joint venture companies decreased by HK\$317 million as compared with last year. Therefore, earnings before interest and tax of the infrastructure businesses was HK\$677 million, a decrease of 8% as compared with last year.

Construction of Phase I of the Guangzhou-Zhuhai West Superhighway (the Guangzhou to Shunde section), an investment of the Group, has commenced in December 2001. Upon completion, it will become a principal highway on the west coast of the Pearl River Delta.

The Group's investments in transportation projects over the years are all located in the major cities of economic importance in the Pearl River Delta region. These road projects are inter-connected and together they form a highway network supplementing each other. The Group believes that the Guangdong Province will maintain its leading position in economic development and the Group's infrastructure investments will benefit from that.

Property

The rental situation of the Group's properties in Hong Kong remained steady despite the weak rental market. In the past year, Hopewell Centre maintained an average occupancy rate of 93%, which is comparable to that of last year. The occupancy rate of Hongkong International Trade and Exhibition Centre ("HITEC") increased to an average of 67%, an improvement of 4% over last year. The Group plans to expand the use of HITEC for commercial and retail purposes and is now in detailed discussion with Government on the change of land use. In view of Government's development plan for southeast Kowloon in the coming years, the enlarged usage of HITEC will complement the district's commercial development.

While the occupancy of these two properties remains stable, the rental rate is under downward pressure due to overall weakness in the market. In view of this, the Group has been taking measures to reduce their operating and financial expenses with encouraging results. During the period under review, the property business accounted for 24% of the Group's earnings before interest and tax.

Hospitality

In the period, visitors to Hong Kong from Japan, Europe and USA decreased due to the weak economic situation in these countries. On the other hand, visitors from the Mainland have increased substantially due to growth in per capita income and the relaxation in outbound travel policies. This provided support to the tourist and hotel industries in Hong Kong. During the year, average occupancy rate of Panda Hotel increased to 74%. However,

overall revenue for the year, affected by the 911 incident and intense competition in the industry, decreased by 8% due to lower rates. The hospitality business accounted for 3% of the Group's earnings before interest and tax.

Construction

The Group continued its efforts to complete the construction works of several school projects previously undertaken. During the year, the Group has taken up a subcontract for part of the construction works of a commercial building currently in progress.

Other Developments

The Group continued its efforts to achieve a satisfactory resolution for the Tanjung Jati B Power Plant project in Indonesia and the Bangkok Elevated Road and Train System in Thailand by negotiating with the relevant parties.

Finance

In the past few years, the Group has worked persistently to improve its financial situation by reducing debts and lowering financial costs and interest expenses. With the strong support of PRC banks towards infrastructure projects, the Group has in the past year assisted two joint venture companies to obtain a ten-year loan each at lower interest rate to refinance their respective debts. This has greatly reduced the interest expenses of the joint venture companies concerned and facilitated the early repayment of principal and interest of shareholders loan advanced by the Group.

In December 2001, the joint venture company for the Guangzhou East-South-West Ring Road has obtained a bank loan of RMB1.5 billion from a PRC bank. Part of the loan was used for project development and the remaining portion was used for the repayment of shareholders loan. As a result, HK\$286 million was repaid to the Group and the Group has used the same for the repayment of the Group's debts.

In February 2002, the joint venture company for Guangzhou-Shenzhen Superhighway obtained a bank loan from a PRC bank to repay shareholders loan advanced by the Group in the total sum of approximately US\$684 million. In the same month, the Group has, by way of Covenant Defeasance, deposited with the trustee of the 2004 and the 2007 Notes a sum equal to the total amount of all principal repayment (the outstanding unredeemed principal totalling approximately US\$566 million), interest and fees due and payable in future under the said Notes. Notice has also been given for the exercise of the option

for early redemption of the outstanding US\$372 million 2007 Notes on 15th August, 2002. Early redemption of the 2007 Notes will greatly lower interest expense of the Group as from the financial year 2002/03.

During the financial year, the Group reduced its interest expenses by 17%, as compared to last year. Total net debt over equity at the end of the financial year was 21%, down from last year's 56%. Resultant debt of HK\$933 million (Net debt after setting off interest bearing loans provided by the Group) is 6.8%. The above demonstrates the success of the Group in its efforts to achieve an appropriate net debt to equity ratio.

Prospects

With the slower than anticipated pace of recovery of the US economy, global interest rates are expected to remain at a relatively low level. This will be beneficial to the Group's continuing effort to lower interest expense. In the coming year, the Group will continue to take measures to improve its financial situation by adopting stringent cost control measures in order to further consolidate its financial position.

Due to the continuous sluggishness of the economy in Hong Kong and abroad, the stock and property markets in Hong Kong will continue to vacillate and the unemployment rate will stay high leading to harsh business operating environment. It will be difficult to be too optimistic about the prospects of businesses in Hong Kong. However, as the Mainland and Guangdong continue to post strong economic growth, the Group believes that its transportation projects in the Pearl River Delta region will continue to achieve stable growth.

After years of dedicated efforts, the Group's gearing ratio has been reduced to a reasonable level and its financial position reconsolidated. On 15th August, 2002, the Group exercised the option to early redeem the US\$372 million 2007 Notes. After the redemption, the Group's interest expenses will be significantly reduced, and this will be reflected in the Group's profit in the next and coming financial years.

In addition to the taking of active measures to consolidate its existing businesses, the Group is proactively pursuing business opportunities offered by the strengthening of economic ties between Guangdong, Hong Kong and Macau.

Change of Directors

With effect from 1st January, 2002, Mr. Eddie Ping Chang HO succeeded me as Managing Director of the Company while I continued to act as Chairman of the Board. On the same

date, Messrs. Josiah Chin Lai KWOK, Thomas Jefferson WU and Alan Chi Hung CHAN were appointed Deputy Managing Director, Chief Operating Officer and Executive Director of the Company respectively.

Mr. Henry Hin Moh LEE retired from his executive duties of the Company with effect from 31st December, 2001 and continues to serve as a Non-Executive Director. Mr. Joachim BURGER resigned as Executive Director of the Company with effect from 28th February, 2002.

The Board would like to welcome all the new appointees as well as to express appreciation towards the valuable contributions of Mr. Henry Hin Moh LEE and Mr. Joachim BURGER to the Company.

Acknowledgement

I would like to express my gratitude to the Board of Directors and all the staff of the Group for their support and effort over the past year. Their efforts are invaluable as we move forward to assure a prosperous future for the Group.

Sir Gordon Ying Sheung WU, KCMG, FICE
Chairman

Hong Kong, 20th August, 2002

Operations Review



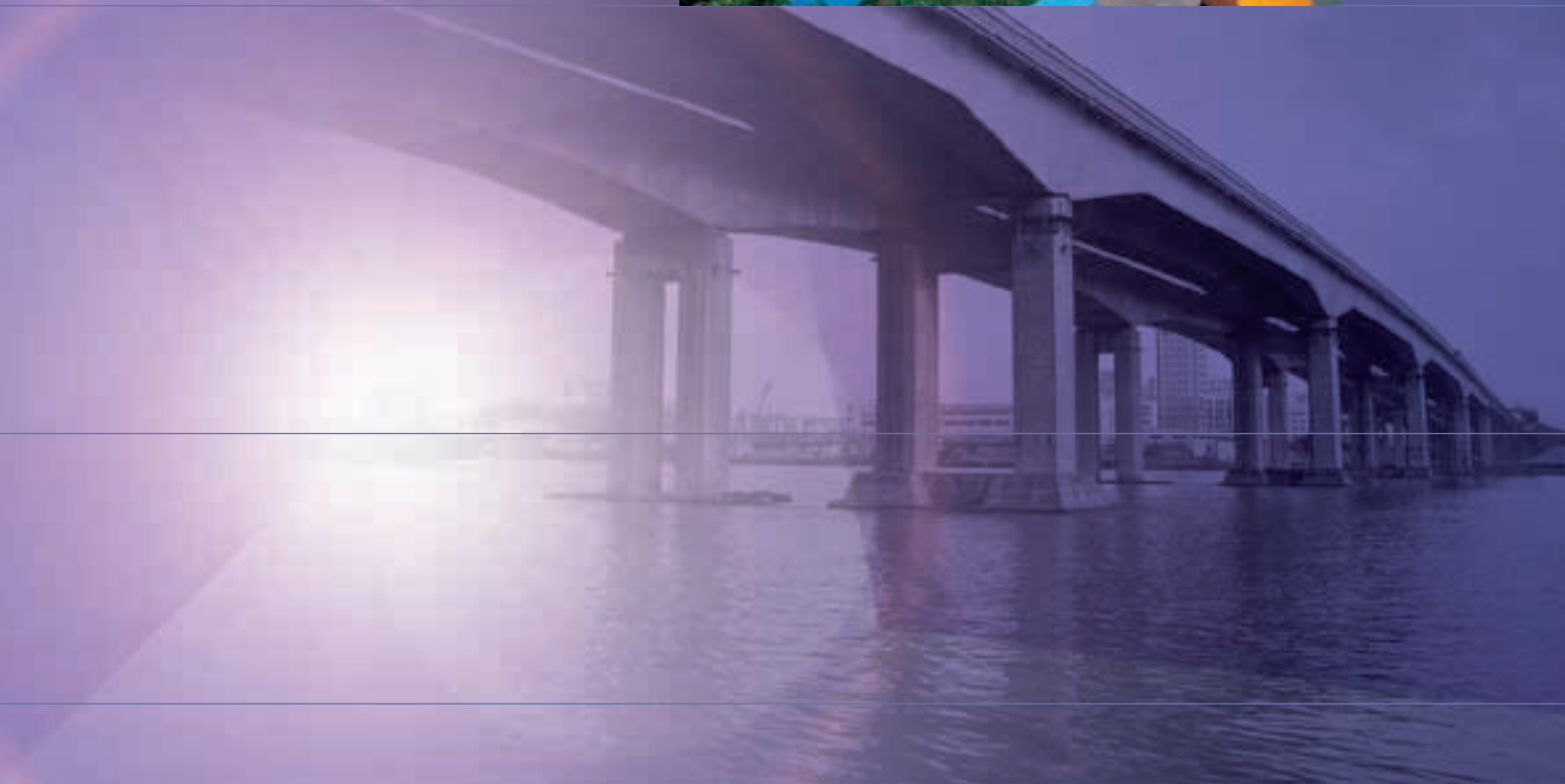
Infrastructure

The Group is participating in the investment of five toll road projects with a total length of 360km, all of which are located in the Pearl River Delta region of Guangdong Province. Four toll road projects are in operation while construction of the 15km Phase I of the Guangzhou-Zhuhai West Superhighway (Guangzhou to Shunde section) commenced in December 2001. All of the projects are in the form of co-operative joint ventures between the Group and PRC partners.

With increasing business and trade activities, and the continuously growing strong economy of Guangdong Province, the Group recorded satisfactory performance in its infrastructure business during the year under review. The average daily combined traffic flow of the Group's toll roads reached 364,000 vehicles, an increase of 8% as compared to the previous year. Infrastructure business accounted for 71% of the Group's earnings before interest and tax.

As China has become a member of the World Trade Organization, effective from 1st April this year, all toll highways in Guangdong Province are required by the relevant authorities of the province that all tolls collection from Hong Kong or Macau originated vehicles must be in Renminbi and at the same rate applicable to the same class of PRC vehicles ("Guangdong RMB Toll Requirement").

As the number of Hong Kong and Macau originated vehicles using the Guangzhou-Shenzhen Superhighway and the Guangzhou East-South-West Ring Road accounted for only a small proportion of the total traffic flow, and the Shunde Roads and the Shunde 105 Road had been charging tolls all along in Renminbi; the Guangdong RMB Toll Requirement has only minimal impact on the toll revenue of the respective toll roads.



Combined financial information of the PRC joint ventures in operation for the year ended 30th June, 2002:

	RMB million
Toll revenue	2,540
Earnings before interest and tax	1,903

Note:

Included in consolidated income statement are the interest income from the joint ventures and share of profits accounted for on an equity basis, totalling HK\$718 million. Toll revenue of the joint ventures has not been consolidated in the Group's turnover.

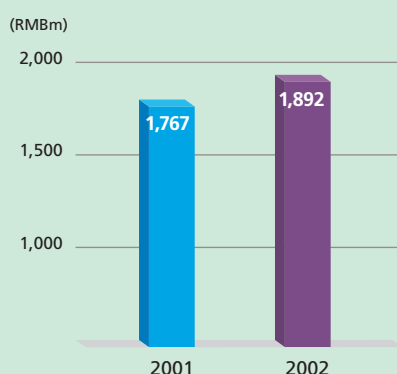
Infrastructure

Guangzhou-Shenzhen Superhighway (GS Superhighway)



Control centre

Toll revenue
Guangzhou-Shenzhen Superhighway



Average daily traffic
Guangzhou-Shenzhen Superhighway



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

The Guangzhou-Shenzhen Superhighway is the principal transport route linking the three major cities of Guangzhou, Dongguan and Shenzhen. During the year under review, traffic flow and toll revenue continued to record satisfactory growth. The average daily traffic flow reached 123,000 vehicles, an increase of 14% over last year while toll revenue increased by 7% to reach RMB1,892 million.

The upgrading of the existing magnetic card-based toll collection system under a plan

proposed by the joint venture company last year to permit the use of integrated circuit cards (I.C. card) is being implemented and is expected to be completed next year. Upon completion, the effectiveness of the toll collection system will be enhanced and the processing time for toll payment will be shortened.

Two new toll stations were completed and began operation during the year. Baoan toll station, located in the industrialized Baoan District of Shenzhen, next to



Baoan toll station



Signing ceremony of the US\$700m project financing of the Guangzhou-Shenzhen Superhighway

the Nantou inspection station on National Route 107 in Shenzhen, has helped to ease the traffic congestion of that inspection station. The usage of Baoan toll station has gradually increased since its opening. The opening of Huacun toll station has linked the GS Superhighway to Guangzhou Second Northern Ring Road and Guangzhou Airport Superhighway, and provides a direct access to the new international airport in Huadu of Guangzhou. This airport will be completed by the end of 2003, and it will be one of the three principal hub airports in China.

In February 2002, the joint venture company arranged a

bank loan with a PRC bank for the repayment of a total sum of US\$684 million of the principal and interest of the shareholders loan advanced by the Group. The sum received would be used to repay the principal together with interest and fees payable under the Notes issued in August 1997.

With effect from 1st April, 2002, the Guangdong RMB Toll Requirement was implemented. As the number of Hong Kong and Macau vehicles accounted for less than 7% of the total traffic flow of the GS Superhighway, the Guangdong RMB Toll Requirement has only minimal impact on toll revenue.



Guangzhou-Shenzhen Superhighway

Infrastructure

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

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



Dongpu toll station

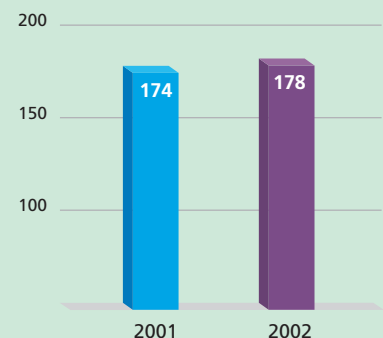
The Guangzhou East-South-West Ring Road constitutes the main segments of the completed ring of the expressway surrounding the downtown of Guangzhou. It provides a high speed thoroughfare for the large volume of traffic passing through the city of Guangzhou. As some of the access roads connecting to its interchanges have yet to be completed, the average daily traffic of the ESW Ring Road was 33,000 vehicles, which is

comparable to that of last year. Toll revenue increased slightly to about RMB 178 million. The implementation of the Guangdong RMB Toll Requirement also has had minimal impact on toll revenue of the ESW Ring Road as the number of Hong Kong and Macau vehicles accounted for less than 0.1% of the total traffic flow. As for the two regulations effected in December 2001 and May 2002 of requiring non-Guangzhou registered vehicles to buy

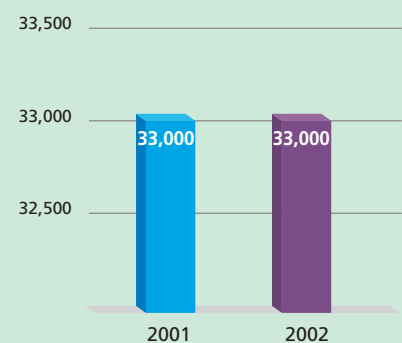
entry tickets, and restricting the hours and travel zones for non-Guangzhou registered goods vehicles to enter the municipality respectively, the average daily traffic flow of the ESW Ring Road since their implementation has risen to over 36,000 vehicles in July 2002, an increase of 18% over the same period of last year. In the next several years,

Toll revenue
ESW Ring Road

(RMBm)



Average daily traffic
ESW Ring Road





Signing ceremony of the RMB1.5b project financing facility of the ESW Ring Road

when the three new connections, 1) Phase I of Guangzhou - Zhuhai Superhighway connecting to the Hainan Interchange, 2) the Guangzhou Southern Expressway connecting to the Luntou Interchange with direct access to Long Xue Dao in Panyu, and 3) the Guangzhou Zhuhai East Superhighway connecting to the Xinzhou Interchange, are completed and connected, the role of the ESW Ring Road will play a more effective role as a thoroughfare in relieving the traffic congestion of vehicles passing through Guangzhou and traffic flow of the ESW Ring Road is expected to experience significant growth.

In December 2001, the joint venture company arranged a PRC project financing facility of RMB1.5 billion. Part of the proceeds was used to finance the construction of the project and the balance was applied to repay shareholders loan advanced by the joint venture parties, of which the Group received HK\$286 million.



Control centre



ESW Ring Road

Infrastructure

Shunde Roads

Project Summary

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



Shunde Interchange

The Shunde Roads, a system of four interconnecting highways and eight main bridges, form the core road network in the Shunde Municipality and provide vital access to the neighbouring municipalities. The average daily traffic flow during the year reached 103,000 vehicles, a 3% increase as compared to the previous year, and toll revenue increased by 3% to about RMB285 million.

When construction of Phase I of the Guangzhou-Zhuhai Superhighway is completed and connected to

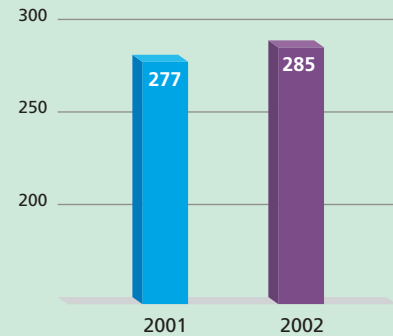
the Bigui section of the Shunde Roads, the travel time between Guangzhou, Shunde and Zhongshan will be substantially shortened and traffic flow of the Shunde Roads is expected to further increase.



Bigui section

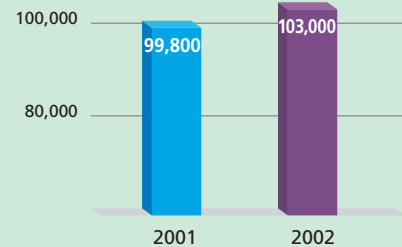
Toll revenue Shunde Roads

(RMBm)



Average daily traffic Shunde Roads

120,000



Shunde 105 Road

The Shunde 105 Road is another major route in the Shunde Municipality and also provides a vital access to the neighbouring municipalities. The average daily traffic flow during the year reached 105,000 vehicles, an increase of 9% over the same period of last year. Toll revenue also increased 9% to about RMB 185 million.

In view of the increasing traffic flow, a number of intersections along the Shunde 105 Road inter-connecting with the access roads in Shunde have been enlarged, upgraded and equipped with additional safety facilities in order to enhance traffic efficiency.

Project Summary

Location	Shunde, Guangdong, PRC
Length	40km
Lane	Dual three-lane
Class	Class 1 Highway
JV Contractual Operation Period	Jan 2001 - Dec 2026
Profit Sharing Ratio	30%



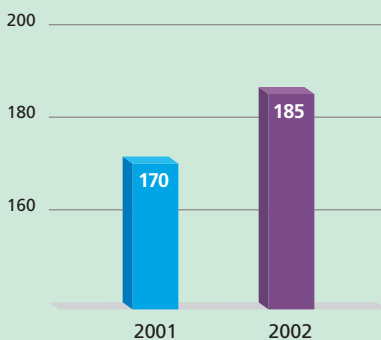
Shunde 105 Road



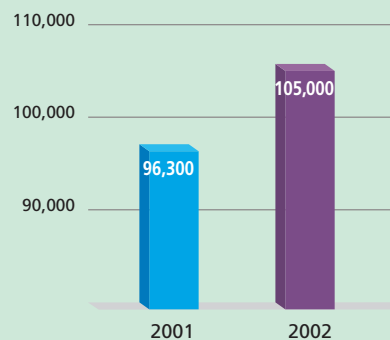
Toll station at Sanhongqi Bridge

Toll revenue
Shunde 105 Road

(RMBm)



Average daily traffic
Shunde 105 Road



Infrastructure

Guangzhou-Zhuhai West Superhighway



Construction of the Guangzhou-Zhuhai West Superhighway (Phase I)

The Guangzhou-Zhuhai West Superhighway is the Group's new investment project in the Pearl River Delta region. The route starts from the Hainan Interchange of the ESW Ring Road, passes through Guangzhou, Nanhai, Shunde and Shalong of Zhongshan, then links with the National Route 105 to reach Zhuhai.

It connects the ESW Ring Road, the Shunde Roads and the Shunde 105 Road and upon completion, it will be a major transport route in the western part of the Pearl River Delta region.

The project will be constructed in three phases. Phase I is a 15 km highway running from Hainan Interchange to the Bigui section of the Shunde Roads. The project cost for Phase I is RMB1.68 billion, which will be largely funded by Renminbi project financing. The Group owns a 50% interest in this project. The construction work of Phase I began in December 2001 and is expected to be completed and open to traffic in 2004.



Major Highways in the PRC



Length of highways (km)

	PRC	Guangdong Province
Expressways	16,314	1,186
First Class Highways	20,088	5,391
Second Class Highways	152,672	13,396

Source: China Statistical Yearbook 2001

Transportation infrastructure network of Hopewell in Guangdong Province, PRC



Guangzhou-Shenzhen Superhighway 122.8km			
① Guangdan	② Luogang	③ Xintang	④ Machong
⑤ Wangniudun	⑥ Daojiao	⑦ Dongguan	⑧ Houjie
⑨ Taiping	⑩ Changan	⑪ Xinqiao	⑫ Huangtian
⑬ Hezhou	⑭ Nantou	⑮ Futian	⑯ Huanggang

ESW Ring Road 38km		
⑰ Huangcun	⑱ Dongpu	⑲ Xinzhou
⑳ Luntou	㉑ Tuhua	㉒ Sanjiao
㉓ Hainan	㉔ Zengjiao	㉕ Huangqi
㉖ Xun Feng Zhou		





Property

The Group's property portfolio is mainly composed of commercial and residential premises in Hong Kong. These consist of more than 3.14 million square feet of gross floor area and another 80,000 square feet site area of land reserve. Property business contributed 24% of the Group's earnings before interest and tax, representing a stable source of cash income.





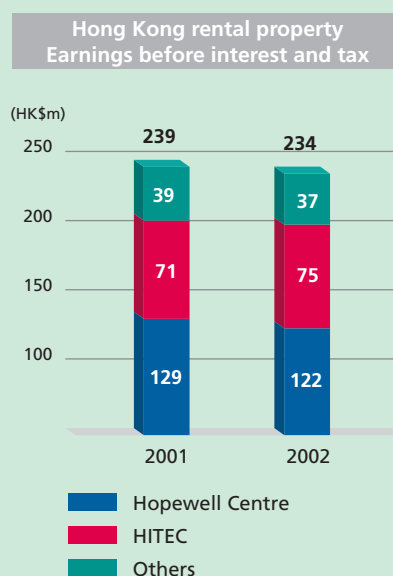
Property



Hopewell Centre in Wanchai

Hopewell Centre

Affected by the continued weakening of the local economy and the sluggish global economic performances, the leasing market for office space during the year remained lackluster. However, Hopewell Centre was able to maintain an average occupancy rate of 93%, a decrease of 1% from the previous year. Rental income showed a slight decrease by 3%.



Retail shops at Hopewell Centre

Hongkong International Trade and Exhibition Centre (HITEC)



Trade exhibitions at HITEC

Located in Kowloon Bay, the Hongkong International Trade and Exhibition Centre recorded an average occupancy rate of 67%, an increase of 4% over the comparable period the year earlier. Equipped with advanced convention facilities, HITEC is an ideal venue for trade exhibitions.

To diversify the development of HITEC, the Group decided to incorporate commercial uses into the Centre. The Group has applied to the Town Planning Board and when retail exhibition function is implemented, the occupancy rate of HITEC is expected to increase further.

Nova Taipa Gardens

Nova Taipa Gardens is a residential property project invested by the Group in Macau. After the change of sovereignty, the Macau SAR Government has actively procured local economic development. Together with the influx of foreign investment due to the open policy of the betting rights, the Macau property market became active again. More than 200,000 square feet of residential units of the project were sold during the year, representing a 70% increase in terms of number of units sold last year. It is believed

that the Macau property market can continue to benefit from the gradual economic recovery.

Huanggang Service Area

To rationalize its non-core business, the Group reached an agreement with the PRC partner to end the joint venture relationship involving the development of the Huanggang Service Area. An agreement transferring all the Group's rights in the project to the PRC partner has been signed, and the agreement became effective in June of this year following the approval of the relevant government authorities.

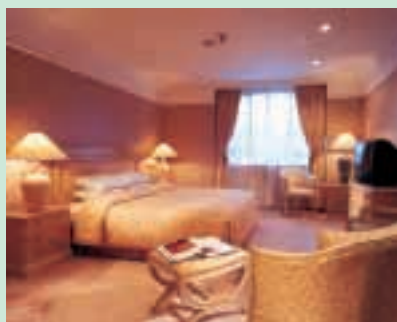


Hospitality

Visitor arrivals from the Mainland have increased substantially due to growth in per capita income and the relaxation in outbound travel policies, thus raising the hotel occupancy rate. On the other hand, visitor arrivals to Hong Kong from Japan, Europe and USA decreased substantially as a result of the weak economies in these countries. The Group owns hotels in Hong Kong and Guangzhou. Hotel and food operations accounted for 3% of the Group's earnings before interest and tax.



Hospitality



Suite at Panda Hotel



The newly renovated ballroom at Panda Hotel can capture more local banquet business



Panda Hotel

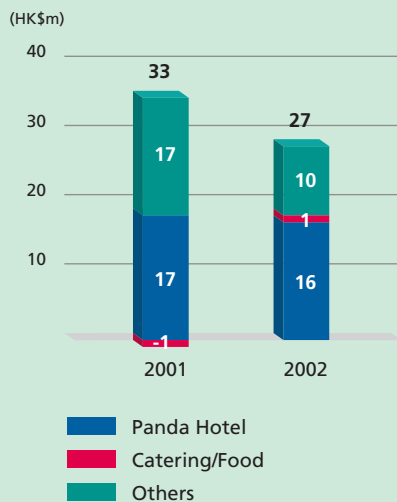
Panda Hotel

During the year, the average occupancy rate of Panda Hotel reached 74%, an increase of 1% from the previous year. Nevertheless, the average room rate declined by 8% due

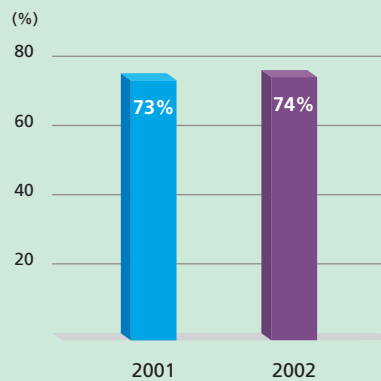
to intense competition within the local hotel industry.

Mainland visitors made up the majority of hotel guests. In addition to tourists, corporate and long-staying guests also contributed to the steady flow of guest arrivals.

Hospitality
Earnings before interest and tax



Average occupancy rate
Panda Hotel



China Hotel

In Guangzhou, China Hotel recorded satisfactory performance with the average room occupancy reaching 72%, an increase of 5% from the previous year, but room rates trended downward slightly over the same period. Most of the guests were from Mainland China and other Asian countries. Located in the commercial district, China Hotel is a popular choice to business travellers.

Food and Beverage

The Group has been adopting stringent cost control strategy for its food and beverage business. While the operating environment was very difficult due to the weak local demand, the Group's food and beverage business still managed to record a slight profit.



China Hotel in Guangzhou

Construction & Engineering

The Group continued its efforts to complete the construction works of several government school projects previously undertaken, with a total gross floor area of 577,000 square feet, and the construction works are expected to be completed by the end of August 2002.

During the year, the Group was awarded a sub-contract of a commercial building, applying the 'slip-climbform' construction method by adopting an environmental-friendly construction technique.





Other Developments

Tanjung Jati B Power Station, Indonesia

Negotiations continued with the relevant parties of the project hoping to reach a resolution to dispose of the project and recoup part of the investment.

Bangkok Elevated Road and Train System, Thailand

The Group continued discussions with the Thai Government over the Bangkok Elevated Road and Train System in an effort to reach an amicable resolution.

Financial Review

Group Results

For the year ended 30th June, 2002, the Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

	Turnover		Earnings before interest and tax	
	2001 HK\$'million	2002 HK\$'million	2001 HK\$'million	2002 HK\$'million
Infrastructure project investment	531	223	736	677
Property letting, agency & management	370	354	239	234
Hotel operations, restaurant & catering	276	250	33	27
Construction & project management	518	276	9	(23)
Other activities	55	29	44	96
	<u>1,750</u>	<u>1,132</u>	<u>1,061</u>	<u>1,011</u>
Administrative expenses			(50)	(58)
Earnings before interest and tax (recurring) (Note)			<u>1,011</u>	<u>953</u>

Note: Earnings before interest and tax (recurring) is the sum of profit from operations of HK\$395 million (2001: HK\$786 million before impairment loss) and share of results of jointly controlled entities and associates totalling HK\$558 million (2001: HK\$225 million).

The Group's turnover decreased by 35% to HK\$1,132 million from HK\$1,750 million of the last financial year, mainly due to the decrease in construction revenue and reduced interest income from the joint ventures as a result of low interest rate and substantial repayment of the advances ("shareholders loan") made by the Group to joint venture companies ("PRC Joint Ventures") operating in the PRC.

Since the results of the PRC Joint Ventures are accounted for using the equity accounting method, the Group's attributable share of the revenue of such joint ventures has not been included in the Group's turnover. Total toll revenue of PRC Joint Ventures amounted to RMB2,540 million as compared to RMB2,388 million of the last financial year.

Though interest income from the PRC Joint Ventures was reduced, such reduction was partially offset by increase in share of results from the PRC Joint Ventures. Overall, the Group's earnings before interest and tax (recurring) decreased by 6% to HK\$953 million from HK\$1,011 million of the last financial year, mainly attributable to the decrease in construction revenue and the reduced interest income from the PRC Joint Ventures.

The Group reported a net profit of HK\$340 million, as compared with HK\$306 million of the last financial year. Taking advantage of the low interest rate environment, the Group refinanced its banking facilities and as a result, reduced its interest expenses to HK\$599 million from last year's HK\$726 million. The majority portion (about 76%) of the premium payable on early redemption of the 2007 Notes, in the amount of HK\$113 million, was accrued in the accounts for the financial year. Disposal of the Huanggang Service Area development project to the PRC partner contributed HK\$191 million profit to the Group.

Liquidity and Financial Resources

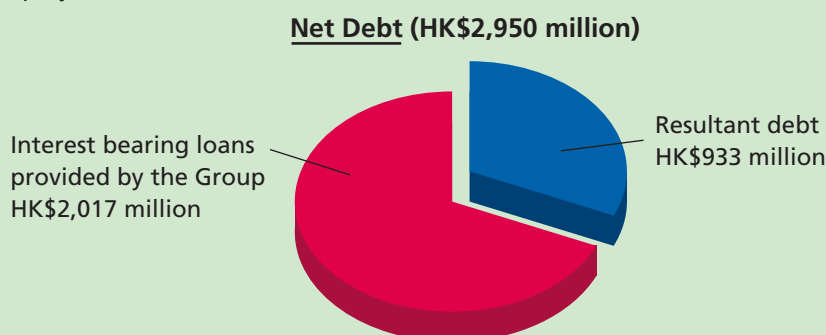
The Group continues to adopt prudent treasury policies in managing its cash resources as well as bank borrowings. Taking into account the recurring cash flow from operations together with cash on hand and bank facilities, the Group has adequate financial resources to fund its operations and present investment projects.

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

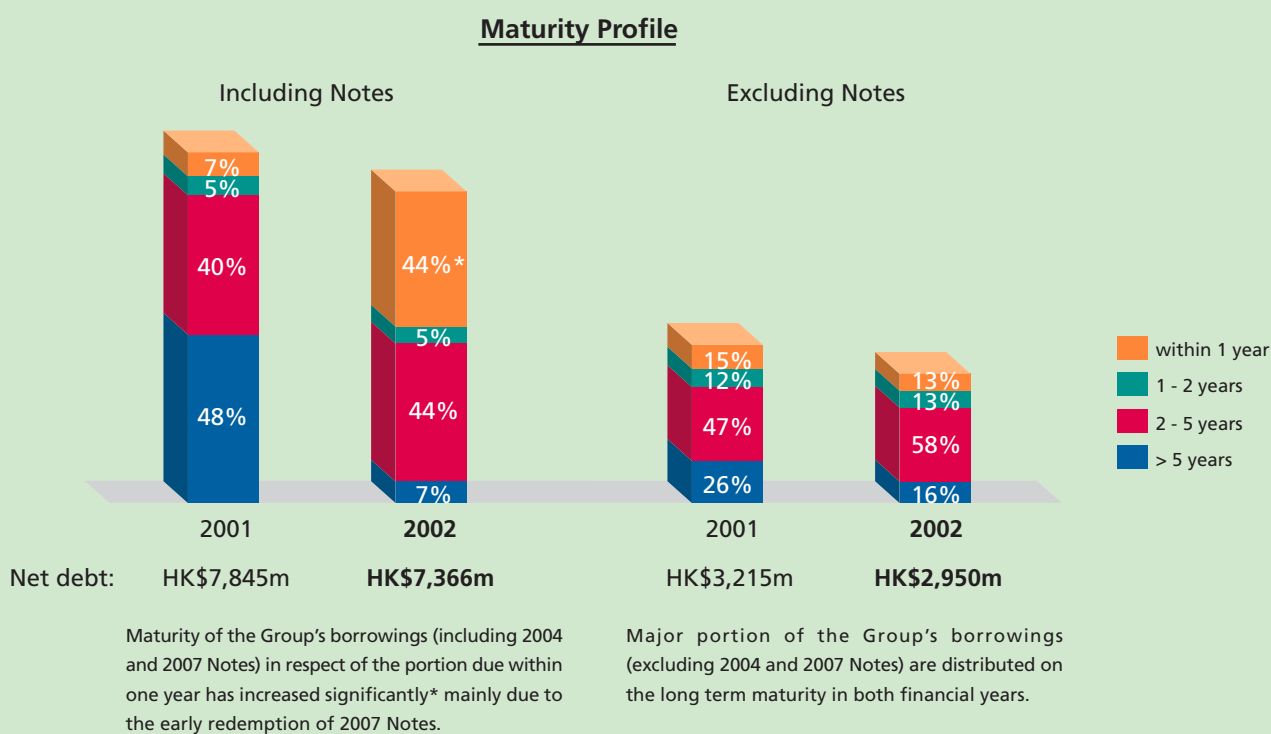
	At 30th June,	
	2001 HK\$'million	2002 HK\$'million
Equity	13,966	13,794
Total net debt (Note)	7,845	2,950
Total capitalization	<u>22,394</u>	<u>21,304</u>
Total net debt vs total capitalization	35%	14%
Total net debt vs equity	56%	21%

Note: The effect of Covenant Defeasance has been reflected in the net debt as of 30th June, 2002.

Resultant debt (net debt after setting off interest bearing loans provided by the Group) is HK\$933 million, i.e. 6.8% of equity.



The maturity profile of the Group's borrowings at 30th June, 2002 as compared with that at 30th June, 2001, is shown as follows:



The major part of the Group's borrowings are the US dollar denominated unsecured Notes of HK\$4,416 million (net of the Notes repurchased and cancelled by the Group), consisting of US\$194 million Notes maturing in 2004 and US\$372 million Notes maturing in 2007, bearing fixed interest rates of 9⁷/₈% per annum and 10¹/₄% per annum respectively.

In February 2002, Guangzhou-Shenzhen-Zhuhai Superhighway Company Ltd., the joint venture company, repaid the principal and interest of the shareholders loan in the amount of US\$684 million advanced by the Group. A sum sufficient for the full repayment of all the outstanding principal together with interest payable under the Notes has been deposited by the Group in a trust account to effect Covenant Defeasance in accordance with the terms governing the Notes.

On 15th August, 2002, the option to early redeem all outstanding 2007 Notes with the total principal amount of US\$372 million was exercised. As a result, the outstanding debt liabilities of the Group have been reduced substantially by the amount of Notes repaid. The early redemption of the Notes will lower interest expense of the Group as from the financial year 2002/03.

Apart from the Notes, the majority of the Group's borrowings carry interest at floating rates and are denominated in Hong Kong Dollars.

The Group will continue to use its best endeavour to ensure its activities are financed at the lowest cost practicable.

Report of the Directors

The directors have pleasure in presenting their annual report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30th June, 2002.

Principal Activities

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

Results

The results of the Group for the year ended 30th June, 2002 are set out in the consolidated income statement on page 47.

Dividends

The directors recommend the payment of a final dividend of HK7 cents (2001: HK7 cents) per share and a 30th Anniversary Special Dividend of HK30 cents (2001: Nil) per share, which together with the interim dividend of HK6 cents (2001: HK5 cents) per share paid on 30th April, 2002, represents a total dividend distribution of HK\$377 million for the year ended 30th June, 2002 (2001: HK\$105 million). The dividends proposed have been incorporated in the financial statements.

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Operations Review" as set out on pages 10 to 31.

Share Capital

Particulars of share capital of the Company during the year are set out in note 27 to the financial statements.

Reserves

Movements in reserves during the year are set out in note 28 to the financial statements.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$205,300.

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 14 and 15 to the financial statements respectively.

Particulars regarding the major properties and property interests of the Group are shown on page 88.

Major Customers and Suppliers

The turnover attributable to the Group's five largest customers combined was about 35% of the Group's turnover for the year and the largest customer included therein accounted for approximately 21%. The five largest suppliers of the Group accounted for approximately 42% of the Group's total purchases for the year and the largest supplier included therein accounted for approximately 23%.

None of the directors, their associates, or any shareholder of the Company, which to the knowledge of the directors of the Company, owns more than 5% of the Company's issued shares, has any beneficial interests in the Group's five largest customers and suppliers.

Purchase, Sale or Redemption of Shares

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

Directors

The Directors of the Company as at the date of the report are listed on page 44 of the annual report. Mr. Eddie Ping Chang HO succeeded Sir Gordon Ying Sheung WU as the Managing Director of the Company on 1st January, 2002 while Sir Gordon Ying Sheung WU continues to act as the Chairman of the Board. Mr. Henry Hin Moh LEE retired from his executive duties of the Company with effect from 31st December, 2001 and continues to act as a Non-Executive Director of the Company. The Board has also appointed Messrs. Josiah Chin Lai KWOK as the Deputy Managing Director, Thomas Jefferson WU as the Chief Operating Officer and Alan Chi Hung CHAN as an Executive Director with effect from 1st January, 2002. Mr. Joachim BURGER resigned as an Executive Director of the Company with effect from 28th February, 2002.

In accordance with the Company's Articles of Association, Sir Gordon Ying Sheung WU, Messrs. Josiah Chin Lai KWOK, Alan Chi Hung CHAN, Guy Man Guy WU, Victor Tzar Kuoi LI and Lady Ivy Sau Ping KWOK WU will retire at the forthcoming Annual General Meeting and all of them, except Mr. Victor Tzar Kuoi LI, being eligible, offer themselves for re-election.

Profile of Directors and Senior Management

Sir Gordon Ying Sheung WU* KCMG, FICE

Aged 66, he is the Chairman of the Board of the Company. He graduated from Princeton University with a Bachelor of Science degree in engineering in 1958. As one of the founders of the Group, he has been the Managing Director since 1972. During the year under review, he was appointed an independent non-executive director of i-Cable Communications Limited and the Honorary Consul of the Republic of Croatia in the Hong Kong SAR. In January 2002, he retired as the Managing Director of the Company but remains as the Chairman of the Board. He was responsible for the Group's infrastructure projects in the PRC and South-East Asia and has been involved in the design and construction of numerous buildings and development projects in Hong Kong and the PRC.

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

In Hong Kong

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

In the PRC

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

International

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

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

His other awards include:

Honorary Citizen

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

Awards and Honours

Year of Award

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

Mr. Eddie Ping Chang HO*

Aged 70, he has been the Deputy Managing Director of the Company since it was listed on the Stock Exchange in 1972 and was appointed as the Managing Director in January 2002. He has been involved in developing all of the Group projects in the PRC, including highway, hotel and power station projects. In addition, he has extensive experience in building and development projects in Hong Kong. He is a Honorary Citizen of the cities of Shenzhen and Shunde in the PRC.

Mr. Josiah Chin Lai KWOK*

Aged 51, he was appointed as the Deputy Managing Director of the Company in January 2002. He is a barrister. Previously, he worked as a consultant to the Group on various important projects such as Guangzhou-Shenzhen-Zhuhai Superhighway, Shajiao B and C Power Stations etc. Afterwards, he worked as Secretary for The Hong Kong Association of Banks, Legal Advisor of The Airport Authority, Hong Kong and Compliance Officer of the BNP Paribas Peregrine Group.

Mr. Thomas Jefferson WU*

Aged 30, he joined the Group in 1999 as the Manager of Executive Committee Office and was promoted to Group Controller in March 2000. He was appointed an Executive Director of the Company in June 2001 and the Chief Operating Officer in January 2002. He holds a Master of Business Administration degree from Stanford University and a bachelor degree in Mechanical and Aerospace Engineering from Princeton University. He has been involving in the review of the Group operational performance, strategic planning and organizational effectiveness. He has also improved the financial and management accounting of the Group. He is a son of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU.

Mr. Henry Hin Moh LEE

Aged 75, he has been involved with the Group since the Company was listed in 1972. He is a Non-Executive Director and a Consultant of the Company. Prior to his retirement from his executive duties of the Company with effect from 31st December, 2001, he was responsible for real estate development and property rental and sales of the Group. He was actively engaged in the property business in Hong Kong. He is a Honorary Citizen of the city of Shunde in the PRC.

Mr. Robert Van Jin NIEN*

Aged 55, he has been an Executive Director since 1980, and is responsible for corporate finance, corporate and public affairs of the Group. He has been involved in the Group's major fund raising activities on both project and corporate levels. He holds a Master of Business Administration degree from University of Pennsylvania's Wharton Graduate Business School.

Mr. Guy Man Guy WU

Aged 45, he joined the board in 1987. He has a Bachelor of Science degree in industrial engineering from Purdue University, U.S.A. He is also the Managing Director of the Liverton Group and Video Channel Productions Limited.

Lady Ivy Sau Ping KWOK WU JP

Aged 53, she joined the board in 1991. She serves on the committees and boards of numerous commercial and social organizations including Asian Cultural Council (Hong Kong), Asia Society and Hong Kong Red Cross. She was appointed a Justice of the Peace with effect from 1st July, 2002. She is the wife of Sir Gordon Ying Sheung WU.

Mr. Victor Tzar Kuoi LI

Aged 38, he joined the board in 1991. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited and the Chairman of both Cheung Kong Infrastructure Holdings Limited and CK Life Sciences Int'l., (Holdings) Inc. He is also the Deputy Chairman of Hutchison Whampoa Limited and a Director of both Hongkong Electric Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited. He holds a Master degree from Stanford University. He is a Member of the Chinese People's Political Consultative Conference, the Commission on Strategic Development of the HKSAR and the Business Advisory Group.

Ms. Linda Lai Chuen LOKE

Aged 64, she joined the board in 1991. A graduate of the University of California at Berkeley, she has over 30 years of professional experience in the securities and investment field. She was the emeritus Managing Director of Dean Witter Reynolds (Hong Kong) Limited and is currently the Vice President (Private Wealth Management) at Morgan Stanley Inc.

Mr. Lawrence Sai Kit MIAO

Aged 38, he was appointed an Executive Director of the Company in 1994 and was involved in financing activities as well as new project developments. Since 1997, his role in the Company was changed to an Independent Non-Executive Director. He is presently a founder and the Managing Director of Olympus Capital Holdings Asia, one of the largest direct investment firms in Asia. He holds a Master of Business Administration degree from Stanford Graduate School of Business Administration and an A.B. degree from Woodrow Wilson School for International Affairs from Princeton University.

Mr. Alan Chi Hung CHAN*

Aged 43, he joined the Group in 1988 and was appointed as an Executive Director of the Company in January 2002. He has a Postgraduate Diploma in Management Studies and a Bachelor of Science degree. He is in charge of China Infrastructure Division of the Group and is responsible for project coordination, management and administration of the transport infrastructure and other projects in the PRC.

Mr. Colin Henry WEIR*

Aged 56, he joined the Group in 1985 and was appointed as an Executive Director in 1997. He is also a Director of Hopewell (Thailand) Limited. He became a member of the Institution of Civil Engineers in 1975. He was the Engineering Manager for the design and construction of power stations and highways. In 1991, he became the Engineering Manager and subsequently Project Director for the BERTS project. He is now responsible for the overseas projects of the Group.

Mr. David Yau-gay LUI*

Aged 57, he was appointed as an Executive Director in 1997. He is also a Director of Hopewell (Thailand) Limited. He was the Founder Director of Pat Davie Ltd., one of the leading interior design and contracting firms in Hong Kong. Since 1990, he has been involved in Hopewell's BERTS project in Thailand.

Mr. Carmelo Ka Sze LEE

Aged 42, he was appointed as an Independent Non-Executive Director in March 2001. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries. He is also a member of the Listing Committee of the main board of The Stock Exchange of Hong Kong Limited.

Note: * Executive Directors

Senior Management

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

Directors' Interest in Contracts

- (a) Mr. Joachim BURGER beneficially held 9.9% of the issued share capital of Mega Hotels Management Limited ("Mega Hotels"). Mega Hotels acts as the manager for the operations of Panda Hotel which is wholly owned by the Group and, in this connection, receives remuneration based on normal commercial terms. During the year, Mr. Joachim BURGER sold his interest in Mega Hotels to the Company.
- (b) Mr. Victor Tzar Kuoi LI is a director of Cheung Kong Infrastructure Holdings Limited ("CKI Infrastructure"). As disclosed in note 17(c) to the financial statements, a subsidiary of the Company entered into agreements with a subsidiary of CKI Infrastructure and the PRC partner for the development of the Guangzhou East-South-West Ring Road in Guangzhou, the PRC.

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

Directors' Interest in Shares and Options

As at 30th June, 2002, the beneficial interests of the directors and their associates in the shares and options of the Company and its associated corporations (as defined by the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")) were as follows:

(a) Beneficial Interests in Shares in the Company

Directors	Personal	Family	Corporate	Other	Total
Gordon Ying Sheung WU	74,443,893	113,730,592 (i)	111,187,019	30,670,093	238,204,287 (iii)
Eddie Ping Chang HO	19,360,000	246,000	1,980,000	-	21,586,000
Thomas Jefferson WU	12,333,800	-	810,092	-	13,143,892
Henry Hin Moh LEE	2,795,322	-	-	-	2,795,322
Robert Van Jin NIEN	100,000	-	-	-	100,000
Guy Man Guy WU	2,645,650	-	-	-	2,645,650
Ivy Sau Ping KWOK WU	21,903,282	216,301,005 (ii)	61,157,217	30,670,093	238,204,287 (iii)
Linda Lai Chuen LOKE	-	1,308,981	-	-	1,308,981
David Yau-gay LUI	8,537	-	-	-	8,537

Notes:

- (i) The family interests of 113,730,592 shares represent the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU. This figure includes 61,157,217 shares held by the couple through corporations. Accordingly, 61,157,217 shares are duplicated in the corporate interests column. The figure of 113,730,592 shares also includes 30,670,093 shares which are held by the couple in joint name. Accordingly, 30,670,093 shares are duplicated in the other interests column.
- (ii) The family interests of 216,301,005 shares represent the interests of Sir Gordon Ying Sheung WU, the husband of Lady Ivy Sau Ping KWOK WU. This figure includes 61,157,217 shares held by the couple through corporations. Accordingly, 61,157,217 shares are duplicated in the corporate interests column. The figure of 216,301,005 shares also includes 30,670,093 shares which are held by the couple in joint name. Accordingly, 30,670,093 shares are duplicated in the other interests column.
- (iii) The disclosures of total interests of 238,204,287 shares made by Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU are arrived at after eliminating the duplications referred to in (i) and (ii) respectively. Both disclosures relate to the same parcel of shares.

(b) Beneficial Interests in Shares in Associated Corporations

Directors	Name of company	Personal	Family	Corporate	Total
Eddie Ping Chang HO	HCNH Insurance Brokers Limited	-	-	300,000(i)	300,000
	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(ii)	(ii)
Thomas Jefferson WU	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(iii)	(iii)
Victor Tzar Kuoi LI	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(iv)	(iv)

Notes:

- (i) Mr. Eddie Ping Chang HO together with his associate beneficially owned 100% of the issued share capital of Hong Kong Insurance Agency Limited which in turn owned 300,000 ordinary shares of HCNH Insurance Brokers Limited, an associate of the Company, representing one-third of its issued share capital.
- (ii) The 10¹/₄% Notes due 2007 for a face amount of US\$14,705,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by a company in which Mr. Eddie Ping Chang HO was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (iii) The 10¹/₄% Notes due 2007 for a face amount of US\$9,250,000 and the 9⁷/₈% Notes due 2004 for a face amount of US\$4,850,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. were beneficially owned by a company in which Mr. Thomas Jefferson WU was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (iv) The 10¹/₄% Notes due 2007 for a face amount of US\$8,000,000 and the 9⁷/₈% Notes due 2004 for a face amount of US\$7,500,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. were beneficially owned by a company in which Mr. Victor Tzar Kuoi LI was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (v) Certain directors held shares in certain subsidiaries as nominees for their holding companies.

(c) Beneficial Interests in Options granted by the Company

Details of Directors' interests in share options granted by the Company are set out under the section "Share Options".

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund ("MPF") Scheme Ordinance, the Group has set up the MPF Schemes and started contribution with effect from 1st December, 2000. Mandatory contributions to these Schemes are made by both the employers and employees at 5% of each of the employees' monthly relevant income capped at HK\$20,000.

During the year, the Group made contribution to the MPF Schemes amounted to HK\$8,173,000.

Share Options

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

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

Under the Option Scheme and the requirements of the amended Listing Rules, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to option exercised and shares in respect of which any option remains outstanding) under the Option Scheme of the Company will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme (the "Maximum Number"). The maximum entitlement of each participant under the Option Scheme in any 12-month period must not exceed 1% of the issued share

capital of the Company. As at the date of this report, a total of 78,059,114 shares (representing approximately 9.04% of the issued share capital of the Company as at 11th October, 1994) are available for issue under the Option Scheme.

The period under which an option may be exercised will be determined by the Board of Directors of the Company in its discretion, save that option may be exercised not earlier than 6 months after the date of grant (i.e. the date on which the option is accepted) and shall expire not later than 10 years after the date of grant.

The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

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

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

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

	Date of grant	Balance of options at 1/7/2001	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance of options at 30/6/2002	Exercise price per share HK\$	Exercise period
Directors								
Josiah Chin Lai KWOK	28/3/2002	-	3,000,000	-	-	3,000,000	6.15	28/9/2002-27/9/2005
Thomas Jefferson WU	3/4/2002	-	2,500,000	-	-	2,500,000	6.15	3/10/2002-2/10/2005
Robert Van Jin NIEN	1/4/2002	-	1,000,000	-	-	1,000,000	6.15	1/10/2002-30/9/2005
Alan Chi Hung CHAN	2/4/2002	-	1,000,000	-	-	1,000,000	6.15	2/10/2002-1/10/2005
Employee	2/4/2002	-	800,000	-	-	800,000	6.15	2/10/2002-1/10/2005

Information of the share options granted during the year is also set out in note 27 to the financial statements. The closing price of the shares of the Company on 27th March, 2002, 28th March, 2002 and 2nd April, 2002, being the dates immediately before the respective dates on which the options were granted, was HK\$6.15, HK\$6.00 and HK\$6.10.

The Directors consider that it is not appropriate to disclose the value of options granted during the year as the market price of the Company's share as at the year end date was below the exercise price of the options granted and any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain. No charge is recognised in the income statement in respect of the value of options granted during the year.

Arrangements to Acquire Shares or Debentures

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

Employees

There were approximately 1,123 employees in the Group as at 30th June, 2002. The Group continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Various benefits include medical and personal accident insurance coverage are also provided to employees. In addition, training programs are conducted on an ongoing basis throughout the Group. Share options may be granted at the discretion of the Board of Directors to employees as appropriate.

Service Contracts of Directors

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

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

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

Substantial Shareholders

Save as disclosed under the section headed "Directors' Interest in Shares", as at 30th June, 2002, the Company had not been notified by any person, not being a director of the Company, of interests in the share capital of the Company required to be recorded in the register under Section 16(1) of the SDI Ordinance.

Code of Best Practice

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

Practice Note 19 of the Listing Rules

The information required to be disclosed in accordance with Practice Note 19 of the Listing Rules is set out on page 43.

Auditors

The financial statements for the year ended 30th June, 2002 and the preceding three years were audited by Messrs. Deloitte Touche Tohmatsu. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU, KCMG, FICE
Chairman

Hong Kong, 20th August, 2002

Practice Note 19 of the Listing Rules

The Company through its subsidiaries has entered into contractual joint venture agreements and has undertaken substantial investments for development of certain infrastructure and property projects. The capital investments and advances made to the joint venture companies and associates ("the Affiliated Companies") were classified and disclosed under the headings "Interests in Jointly Controlled Entities" and "Interests in Associates" in the consolidated balance sheet as at 30th June, 2002.

A proforma combined balance sheet of the Affiliated Companies as at 30th June, 2002, is presented below:

	Combined total HK\$ million	Funds injected by the Group HK\$ million
Total assets	21,265 *	
Financed by:		
Registered capital/share capital	2,297	1,539
Accumulated losses	(405) ^	
	1,892	
Long-term liabilities		
- Advances from shareholders/joint venture partners/related companies	8,131	2,483
- Other long-term loans	10,552	
	18,683	
Current liabilities	690	53
Total equity and liabilities	21,265 *	4,075

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

^ Accumulated losses are mainly attributed to interest expenses incurred during the trial operation of the toll roads before commencement of the joint venture co-operation period.

Corporate Information

HONORARY CHAIRMAN

Dr. James Man Hon WU

OBE, JP, LLD (Hon), Dr Eng (Hon), BSc (Eng)

BOARD OF DIRECTORS

Sir Gordon Ying Sheung WU* KCMG, FICE

Chairman

Mr. Eddie Ping Chang HO*

Managing Director

Mr. Josiah Chin Lai KWOK*

Deputy Managing Director

(appointed on 1st January, 2002)

Mr. Thomas Jefferson WU*

Chief Operating Officer

Mr. Henry Hin Moh LEE

Mr. Robert Van Jin NIEN*

Mr. Guy Man Guy WU

Lady Ivy Sau Ping KWOK WU^{JP}

Mr. Victor Tzar Kuoi LI

Ms. Linda Lai Chuen LOKE

Mr. Lawrence Sai Kit MIAO

Mr. Alan Chi Hung CHAN*

(appointed on 1st January, 2002)

Mr. Colin Henry WEIR*

Mr. David Yau-gay LUI*

Mr. Carmelo Ka Sze LEE

**Executive directors*

COMPANY SECRETARY

Mr. Peter Yip Wah LEE

REGISTERED OFFICE

64th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

Tel: (852) 2528 4975

Fax: (852) 2865 6276

(852) 2861 2068

(852) 2529 8602

SOLICITORS

Woo, Kwan, Lee & Lo

26th Floor, Jardine House

1 Connaught Place

Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

26th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

PRINCIPAL BANKERS[†]

Bank of China (Hong Kong) Limited

Bank of East Asia, Limited

BNP Paribas

Citibank, N.A.

The Development Bank of Singapore Limited

Hang Seng Bank Limited

The Hong Kong and Shanghai Banking

Corporation Limited

Industrial and Commercial Bank of

China (Asia) Limited

Liu Chong Hing Bank Limited

Mizuho Corporate Bank, Limited

Tai Fung Bank Limited

[†] names arranged in alphabetical order

REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

Rooms 1712-1716, Hopewell Centre

183 Queen's Road East

Hong Kong

ADR DEPOSITARY BANK

Citibank, N.A.

Depository Receipts

20th Floor, 111 Wall Street

New York, NY 10043

United States of America

Toll free number : 1-877-248-4237

WEB PAGE

www.hopewellholdings.com

INVESTOR RELATIONS

ir@hopewellholdings.com

Financial Report 2002

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Report of the Auditors

德勤·關黃陳方會計師行

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

執業會計師
香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF HOPEWELL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 47 to 87 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

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

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June, 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 20th August, 2002

Consolidated Income Statement

For the year ended 30th June, 2002

	Notes	2001 HK\$'000	2002 HK\$'000
Turnover	4	1,750,103	1,132,483
Cost of sales and services		(813,034)	(599,410)
Other operating income	6	937,069	533,073
Selling and distribution costs		56,940	72,518
Administrative expenses		(24,960)	(21,942)
Other operating expenses		(135,082)	(147,488)
Impairment loss on a hotel property under development		(47,543)	(40,504)
		(290,000)	–
Profit from operations	7	496,424	395,657
Profit on disposal of interest in a jointly controlled entity	8	381,832	191,385
Finance costs:	9		
Interest expenses		(726,037)	(599,110)
Other finance costs		(41,513)	(182,726)
Share of results of:			
jointly controlled entities		205,394	513,920
associates		19,426	43,818
Profit from ordinary activities before taxation		335,526	362,944
Taxation	10	(26,509)	(13,355)
Profit before minority interests		309,017	349,589
Minority interests		(3,507)	(9,799)
Net profit for the year		305,510	339,790
Dividends	11	105,118	376,672
Earnings per share	12	HK cents	HK cents
Basic		34.9	38.8

Consolidated Balance Sheet

At 30th June, 2002

	Notes	(restated) 2001 HK\$'000	2002 HK\$'000
ASSETS			
Non-current Assets			
Investment properties	14	6,384,800	5,986,300
Property, plant and equipment	15	1,118,985	1,119,407
Properties for or under development		662,571	832,491
Interests in jointly controlled entities	17	14,568,863	8,589,902
Interests in associates	18	118,577	98,345
Other investments	19	40,159	40,057
Long-term receivables	20	338,143	588,005
Restricted/pledged bank deposits	21	87,376	1,832,847
		23,319,474	19,087,354
Current Assets			
Inventories	22	10,317	9,696
Properties for sale		3,762	3,762
Trade and other receivables	23	130,554	158,652
Deposits and prepayments		184,142	183,497
Loans receivable – current portion	24	95,088	175,731
Amounts due from customers for contract work	25	4,520	11,927
Restricted bank deposits	21	–	3,349,259
Bank balances and cash		446,303	145,149
		874,686	4,037,673
Total Assets		24,194,160	23,125,027

Consolidated Balance Sheet (continued)

At 30th June, 2002

	Notes	(restated) 2001 HK\$'000	2002 HK\$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	27	2,189,955	2,189,955
Reserves	28	11,775,595	11,604,265
		13,965,550	13,794,220
Minority Interests		13,028	20,468
Non-current Liabilities			
Long-term borrowings	29	7,631,524	4,200,055
Warranty liabilities	30	320,059	164,059
Amounts due to associates	32	58,665	31,814
		8,010,248	4,395,928
Current Liabilities			
Trade and other payables	26	1,229,191	1,224,954
Rental and other deposits		76,072	74,324
Amounts due to customers for contract work	25	34,833	15,679
Provision for taxation		211,904	203,061
Current portion of			
Long-term borrowings	29	194,825	3,291,393
Warranty liabilities	30	78,000	–
Bank loans and overdrafts			
Secured		248,947	45,000
Unsecured		131,562	60,000
		2,205,334	4,914,411
Total Liabilities		10,215,582	9,310,339
Total Equity and Liabilities		24,194,160	23,125,027

Josiah Chin Lai KWOK
Director

Thomas Jefferson WU
Director

Company Balance Sheet

At 30th June, 2002

	Notes	(restated) 2001 HK\$'000	2002 HK\$'000
ASSETS			
Non-current Assets			
Interests in subsidiaries	16	13,406,024	13,420,221
Interest in a jointly controlled entity	17	107,037	–
Interests in associates	18	12,160	11,575
Other investments	19	3,000	3,000
		13,528,221	13,434,796
Current Assets			
Trade and other receivables		381	253
Deposits and prepayments		2,288	2,960
Bank balances and cash		1,718	1,604
		4,387	4,817
Total Assets		13,532,608	13,439,613
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	27	2,189,955	2,189,955
Reserves	28	9,039,970	9,172,651
		11,229,925	11,362,606
Non-current Liabilities			
Warranty liabilities	30	156,000	–
Amounts due to subsidiaries	31	1,968,875	2,006,317
Amounts due to associates	32	52,320	25,046
		2,177,195	2,031,363
Current Liabilities			
Trade and other payables		23,021	21,177
Provision for taxation		24,467	24,467
Current portion of warranty liabilities	30	78,000	–
		125,488	45,644
Total Liabilities		2,302,683	2,077,007
Total Equity and Liabilities		13,532,608	13,439,613

Josiah Chin Lai KWOK
Director

Thomas Jefferson WU
Director

Consolidated Statement of Recognised Gains and Losses

For the year ended 30th June, 2002

	2001 HK\$'000	2002 HK\$'000
Revaluation increase (decrease) on investment properties	40,815	(398,553)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	(8,843)	2,148
Share of exchange equalisation reserves of jointly controlled entities and associates	(31)	(837)
Net gains (losses) not recognised in the consolidated income statement	31,941	(397,242)
Net profit for the year	305,510	339,790
Total recognised gains (losses)	337,451	(57,452)
		HK\$'000
Prior period adjustments arising from changes in accounting policies		
Effect on reserves at 1st July, 2000		
– increase in capital reserve		70,285
– increase in dividend reserve		52,559
– decrease in retained profits		(43,696)
		79,148

Consolidated Cash Flow Statement

For the year ended 30th June, 2002

	Note	2001 HK\$'000	2002 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	33	31,232	180,143
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(756,927)	(575,764)
Interest received		–	6,789
Dividends paid		(96,358)	(113,878)
Dividends received from			
– associates		29,240	20,930
– other investees		–	467
Dividends paid to minority shareholders		(700)	(762)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(824,745)	(662,218)
TAXATION			
Hong Kong profits tax paid		(1,344)	(1,072)
Taxation elsewhere paid		(9,059)	(27,005)
Hong Kong profits tax refunded		126	2,817
NET TAXES PAID		(10,277)	(25,260)
INVESTING ACTIVITIES			
Additions to investment properties		(4,567)	(4,379)
Additions to property, plant and equipment		(6,560)	(9,766)
Interests in associates		(1,643)	(874)
Investments in and loans to jointly controlled entities		(78,542)	(37,125)
Repayments of loans by jointly controlled entities		3,009,068	6,469,185
Other investments		3,134	102
Acquisition of properties for or under development		(10,293)	(126,322)
(Repayments to) advances from associates		(24,538)	8,149
Net proceeds on disposal of			
– interest in a jointly controlled entity		315,443	96,226
– property, plant and equipment		2,733	2,203
Increase in restricted bank deposits		–	(5,086,602)
Decrease in bank deposits pledged		13,716	–
Long-term loans receivable		(3,919)	(92,099)
NET CASH INFLOW FROM INVESTING ACTIVITIES		3,214,032	1,218,698
NET CASH INFLOW BEFORE FINANCING ACTIVITIES CARRIED FORWARD		2,410,242	711,363

Consolidated Cash Flow Statement *(continued)*

For the year ended 30th June, 2002

	Note	2001 HK\$'000	2002 HK\$'000
NET CASH INFLOW BEFORE FINANCING ACTIVITIES BROUGHT FORWARD		2,410,242	711,363
FINANCING ACTIVITIES	34		
New bank and other loans		1,958,791	962,073
Repayment of bank and other loans		(4,224,500)	(1,621,614)
Repurchase of notes		(111,174)	(77,380)
Warranties paid		(78,000)	(234,000)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(2,454,883)	(970,921)
DECREASE IN CASH AND CASH EQUIVALENTS		(44,641)	(259,558)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		448,526	393,794
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(10,091)	10,913
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		393,794	145,149
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		446,303	145,149
Bank loans and overdrafts		(380,509)	(105,000)
		65,794	40,149
Bank loans not within 3 months of maturity		328,000	105,000
		393,794	145,149

Notes to the Financial Statements

For the year ended 30th June, 2002

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 letting, property agency and management, hotel operations and management, restaurant operation and food catering, construction and project management.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

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/revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. Comparative amounts have been restated to achieve a consistent presentation.

Provisions

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of a general provision recognised in previous years in respect of hotel maintenance. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. Comparative amounts have been restated to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 30th June, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

Previously, goodwill/negative goodwill arising on the acquisition of a subsidiary, a jointly controlled entity or an associate was dealt with in reserves.

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Amortisation in respect of goodwill between the date of acquisition of the relevant subsidiary, jointly controlled entity or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary, jointly controlled entity or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following the adoption of SSAP 30, goodwill arising on acquisitions will be capitalised and amortised on a straight-line basis over its useful economic life. Negative goodwill will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which such negative goodwill resulted.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES *(continued)*

The adoption of the new/revised accounting policies has had no material effect on the results for the current or the comparative prior year, but has resulted in restatements of certain balance sheet items which are summarised below:

	Capital reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1st July, 2000				
As previously stated	12,711	–	314,627	327,338
SSAP 9 (Revised) –				
Derecognition of liability for final dividend for the year ended 30th June, 2000	–	52,559	–	52,559
SSAP 28 –				
Derecognition of provision for hotel maintenance	–	–	26,589	26,589
SSAP 30 –				
Goodwill previously eliminated against capital reserve amortised	99,992	–	(99,992)	–
Negative goodwill previously credited to capital reserve released to income	(29,707)	–	29,707	–
As restated	82,996	52,559	270,931	406,486

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 a subsidiary, a jointly controlled entity or an 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 acquisitions 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.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Goodwill/negative goodwill *(continued)*

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.

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 on the same basis as that adopted by the relevant jointly controlled entity in respect of depreciation of its project cost, over the joint venture period 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.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Other investments

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

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

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 is 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 over their estimated useful lives from the date 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

Development properties

Properties held for or under development are stated at cost less any identified impairment losses. The cost of such 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.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Properties for sale

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

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.

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.

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 customers 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

Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the transaction dates. Exchange differences arising from foreign currency borrowings for the purpose of financing qualifying assets under development prior to completion, to the extent that they are regarded as adjustments to interest cost, are capitalised in accordance with the Group's accounting policy and form part of the cost of such assets. Other exchange differences are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, jointly controlled entities and associates established outside Hong Kong, which are expressed in currencies other than Hong Kong dollars, are translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. Exchange differences arising therefrom are dealt with in exchange equalisation reserve.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

Capitalisation of borrowing costs

Borrowing costs, including project financing costs, directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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.

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.

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.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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.

Property agency and management

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

Interest income

Interest income from bank deposits, loans receivable and infrastructure project investments 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, analysed as follows:

	2001 HK\$'000	2002 HK\$'000
Infrastructure project investments	531,466	222,738
Property letting, agency and management	369,964	354,176
Hotel operations and management	143,612	132,893
Restaurant operations and food catering	131,936	116,784
Construction and project management	517,608	276,515
Other activities	55,517	29,377
	1,750,103	1,132,483

Note:

The turnover from infrastructure project investments shown above includes interest income from jointly controlled entities of approximately HK\$202 million (2001: HK\$519 million).

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

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

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

Segment information about these businesses is presented below.

Segment revenue

Year ended 30th June, 2002

	2001			2002		
	External HK\$'000	Inter-segment HK\$'000	Consolidated HK\$'000	External HK\$'000	Inter-segment HK\$'000	Consolidated HK\$'000
Infrastructure projects	531,466	–	531,466	222,738	–	222,738
Property investment	369,964	22,953	392,917	354,176	22,402	376,578
Hotel operations	143,612	758	144,370	132,893	446	133,339
Restaurant and catering	131,936	1,099	133,035	116,784	1,255	118,039
Construction	517,608	197	517,805	276,515	4,289	280,804
Other operations	55,517	–	55,517	29,377	–	29,377
Eliminations	–	(25,007)	(25,007)	–	(28,392)	(28,392)
Segment revenue	1,750,103	–	1,750,103	1,132,483	–	1,132,483

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

Segment results

Year ended 30th June, 2002

	2001				2002			
	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 projects	490,523	245,079	–	735,602	161,153	515,594	–	676,747
Property investment	234,975	–	4,196	239,171	229,700	–	3,992	233,692
Hotel operations	21,340	–	12,817	34,157	16,991	–	9,407	26,398
Restaurant and catering	(1,098)	–	–	(1,098)	876	–	–	876
Construction	9,482	–	(49)	9,433	(26,651)	–	3,732	(22,919)
Other operations	42,999	(39,685)	2,462	5,776	17,046	(1,674)	26,687	42,059
Segment results								
from operations	798,221	205,394	19,426	1,023,041	399,115	513,920	43,818	956,853

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business Segments *(continued)*

Segment results *(continued)*

Year ended 30th June, 2002

	2001 HK\$'000	2002 HK\$'000
Segment results		
– Operations	798,221	399,115
– Impairment loss on a hotel property under development	(290,000)	–
	508,221	399,115
Interest and other income	38,569	54,640
Unallocated corporate expenses	(50,366)	(58,098)
Profit from operations	496,424	395,657
Profit on disposal of interest in a jointly controlled entity	381,832	191,385
Finance costs	(767,550)	(781,836)
Share of results of		
– jointly controlled entities	205,394	513,920
– associates	19,426	43,818
Profit before taxation	335,526	362,944
Taxation	(26,509)	(13,355)
Profit before minority interests	309,017	349,589
Minority interests	(3,507)	(9,799)
Net profit for the year	305,510	339,790

Assets and Liabilities

At 30th June, 2002

	Assets			Liabilities	
	Company and subsidiaries HK\$'000	Interests in jointly controlled entities HK\$'000	Interests in associates HK\$'000	Consolidated total assets HK\$'000	Consolidated total liabilities HK\$'000
Infrastructure projects	2,448	8,207,859	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
Restaurant and catering	21,225	–	–	21,225	10,223
Construction	137,037	–	10,560	147,597	222,633
Other operations	687,314	435,517	342	1,123,173	20,513
Segment assets/liabilities	7,504,017	8,643,376	91,799	16,239,192	403,735
Restricted bank deposits				5,086,602	–
Unsecured notes payable				–	4,501,724
Other assets/liabilities				1,799,233	4,404,880
				23,125,027	9,310,339

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business Segments *(continued)*

Assets and Liabilities *(continued)*

At 30th June, 2001

	Assets			Liabilities	
	Company and subsidiaries HK\$'000	Interests in jointly controlled entities HK\$'000	Interests in associates HK\$'000	Consolidated total assets HK\$'000	Consolidated total liabilities HK\$'000
Infrastructure projects	3,791	13,987,195	10,654	14,001,640	3,574
Property investment	6,403,521	–	27,113	6,430,634	106,836
Hotel operations	621,062	–	55,874	676,936	20,261
Restaurant and catering	17,811	–	–	17,811	10,044
Construction	148,907	–	6,794	155,701	269,681
Other operations	528,908	658,844	342	1,188,094	52,773
Segment assets/liabilities	7,724,000	14,646,039	100,777	22,470,816	463,169
Unsecured notes payable				–	4,408,847
Other assets/liabilities				1,723,344	5,343,566
				24,194,160	10,215,582

At the balance sheet date, the Group's total assets less current liabilities and the Group's net current liabilities amounted to HK\$18,210,616,000 (2001: HK\$21,988,826,000) and HK\$876,738,000 (2001: HK\$1,330,648,000) respectively.

Other Information

	2001				2002			
	Capital additions HK\$'000	Depreciation and amortisation HK\$'000	Impairment losses recognised in income statement HK\$'000	Other non-cash expenses HK\$'000	Capital additions HK\$'000	Depreciation and amortisation HK\$'000	Impairment losses recognised in income statement HK\$'000	Other non-cash expenses HK\$'000
Infrastructure projects	313	36,585	–	–	221	40,599	–	–
Property investment	4,247	4,906	–	13,365	7,142	2,973	–	1,372
Hotel operations	25,068	306	290,000	–	2,388	418	–	410
Restaurant and catering	4,764	8,091	–	–	3,260	1,700	–	96
Construction	277	1,191	–	3	693	1,197	–	18

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical Segments

The Group's property investment, hotel operations, restaurant and catering, and construction activities are carried out in Hong Kong. All the infrastructure project investments are located in other regions in the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover and contribution to profit from operations by geographical market:

	Turnover by geographical market		Contribution to profit from operations	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Hong Kong	1,132,465	881,345	221,436	198,695
Other regions in the PRC	613,040	251,138	578,007	219,044
Republic of Malta	–	–	(290,000)	(12,330)
Other regions	4,598	–	(13,019)	(9,752)
	1,750,103	1,132,483	496,424	395,657

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 area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Hong Kong	7,568,908	7,290,549	11,127	14,145
Other regions in the PRC	14,706,449	8,732,124	–	–
Republic of Malta	134,227	147,478	–	–
Other regions	61,232	69,041	–	–
	22,470,816	16,239,192	11,127	14,145

6. OTHER OPERATING INCOME

	2001 HK\$'000	2002 HK\$'000
Included in other operating income are the following:		
Interest from bank deposits	–	54,018
Dividend from unlisted investments	–	467
Gain on repurchase of notes	22,791	620
Exchange gains	17,442	–

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

7. PROFIT FROM OPERATIONS

	2001 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	4,457	4,328
Depreciation of property, plant and equipment	15,908	7,636
Amortisation of cost of investment in jointly controlled entities	36,543	40,504
Allowances for doubtful trade receivables	13,109	1,896
Rentals in respect of properties under operating leases	500	624
Staff costs (including directors' emoluments)	214,290	206,815
Exchange losses	–	65
Rental income in respect of land and buildings under operating leases, less outgoings of HK\$112,590,000 (2001: HK\$115,006,000)	(245,699)	(234,842)

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

The agreement for the disposal of Shenzhen Huanghe Real Estate Development Company Limited, the jointly controlled entity undertaking a property development project in Huanggang, Shenzhen of the PRC, which was entered into in the prior year, has become effective during the year. The disposal has resulted in a profit before taxation of HK\$191,385,000 which has been recognised in the current year.

The prior year's profit on disposal of a jointly controlled entity was derived from the disposal of the Group's 25% interest in Shunde Municipal Shunhope Highway Construction Company Limited, the entity undertaking a highway project in Shunde, the PRC.

9. FINANCE COSTS

	2001 HK\$'000	2002 HK\$'000
Interest expenses		
Interest on:		
Bank loans and overdrafts	352,797	124,911
Notes		
– wholly payable within five years	154,917	447,178
– not wholly payable within five years	313,630	–
Other loans wholly payable within five years	30,890	33,021
Warranties wholly payable within five years	27,296	–
Total interest	879,530	605,110
Less: Amount borne by a jointly controlled entity	(126,456)	–
Amounts capitalised on:		
Infrastructure projects	(19,613)	(6,000)
Properties under development	(7,424)	–
	726,037	599,110
Other finance costs		
Premium on early redemption of notes	–	112,528
Note issue expenses amortised	17,260	56,720
Loan arrangement fees and bank charges	24,253	13,478
	41,513	182,726
	767,550	781,836

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

10. TAXATION

	2001 HK\$'000	2002 HK\$'000
The (charge) credit comprises:		
The Company and subsidiaries		
Hong Kong profits tax		
Current year's provision	(571)	(2,644)
Overprovision in prior years	1,200	–
Taxation elsewhere		
Current year's provision	(14,406)	(23,168)
Overprovision in prior years	5,287	83,712
	(8,490)	57,900
Jointly controlled entities		
Taxation elsewhere	(9,457)	(7,194)
Deferred taxation	–	(54,900)
	(9,457)	(62,094)
Associates		
Hong Kong profits tax	(877)	(864)
Taxation elsewhere	(7,685)	(8,297)
	(8,562)	(9,161)
	(26,509)	(13,355)

Provision for Hong Kong profits tax is calculated at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. Taxes on profits assessable elsewhere are calculated at rates prevailing in the countries in which the Group operates.

During the year, the agreement by a joint venture partner of a jointly controlled entity undertaking an infrastructure project to be responsible for payment of the PRC withholding tax payable on the interest income derived by the Group from advances made to this entity has been finalised. Potential withholding tax amounted to a total of approximately HK\$83.7 million previously provided for has been written back in the current year.

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 subject to taxation. 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.

11. DIVIDENDS

	2001 HK\$'000	2002 HK\$'000
Dividend paid		
Interim: HK 6 cents (2001: HK 5 cents) per share	43,799	52,559
Dividend proposed		
Final: HK 7 cents (2001: HK 7 cents) per share	61,319	61,319
Special: HK 30 cents (2001: Nil) per share	–	262,794
	105,118	376,672

The final dividend of HK 7 cents (2001: HK 7 cents) per share and the special dividend of HK 30 cents (2001: Nil) per share have been proposed by the directors and are subject to approval by the shareholders in general meeting.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$339,790,000 (2001: HK\$305,510,000) and on 875,982,121 (2001: 875,982,121) ordinary shares in issue during the year.

Diluted earnings per share for the current year is not shown because the exercise price of the share options granted by the Company was higher than the average market price for shares for the year. The Company had no dilutive potential ordinary shares outstanding during the year ended 30th June, 2001.

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

	The Group	
	2001 HK\$'000	2002 HK\$'000
Directors' fees	410	480
Basic salaries, allowances and benefits-in-kind	9,780	12,851
Performance related bonus	–	960
Contributions to provident funds	22	56
	10,212	14,347

Emoluments of the directors are within the following bands:

HK\$	2001 Number of directors	2002 Number of directors
Nil – 1,000,000	8	7
1,000,001 – 1,500,000	2	4
1,500,001 – 2,000,000	3	5
2,500,001 – 3,000,000	1	–

Other than fees of HK\$150,000 (2001: HK\$158,000) paid/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, including an employee who has become a director of the Company during the year. The emoluments of these five individuals for the year are analysed below:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Directors' fees	160	110
Basic salaries, allowances and benefits-in-kind	8,891	8,313
Performance related bonus	100	810
Contributions to provident funds	28	50
	9,179	9,283

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

HK\$	2001 Number of individuals	2002 Number of individuals
1,000,001 – 1,500,000	1	–
1,500,001 – 2,000,000	3	4
2,000,001 – 2,500,000	–	1
2,500,001 – 3,000,000	1	–

Notes to the Financial Statements (continued)

For the year ended 30th June, 2002

14. INVESTMENT PROPERTIES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Investment properties at valuation		
At beginning of the year	6,357,500	6,384,800
Additions during the year	4,567	4,379
Construction cost adjustment	(18,082)	(4,326)
Revaluation increase (decrease)	40,815	(398,553)
At end of the year	6,384,800	5,986,300
	2001 HK\$'000	2002 HK\$'000
The net book value of the Group's investment properties comprises:		
Land and buildings in Hong Kong on		
Long leases	3,270,000	3,017,000
Medium-term leases	3,114,800	2,969,300
	6,384,800	5,986,300

The Group's investment properties were revalued at 30th June, 2002 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 28).

Investment properties of the Group with an aggregate carrying value of approximately HK\$4,249 million (2001: HK\$4,750 million) were rented out under operating leases at the balance sheet date.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Hotel property HK\$'000	Other properties HK\$'000	Power plant (note b) HK\$'000	Other assets HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st July, 2001	474,872	31,094	2,303,407	345,653	3,155,026
Additions	—	—	—	9,766	9,766
Disposals	—	—	—	(35,853)	(35,853)
At 30th June, 2002	474,872	31,094	2,303,407	319,566	3,128,939
DEPRECIATION AND IMPAIRMENT					
At 1st July, 2001	—	7,552	1,703,348	325,141	2,036,041
Provided for the year	—	584	—	7,052	7,636
Eliminated on disposals	—	—	—	(34,145)	(34,145)
At 30th June, 2002	—	8,136	1,703,348	298,048	2,009,532
NET BOOK VALUES					
At 30th June, 2002	474,872	22,958	600,059	21,518	1,119,407
At 30th June, 2001	474,872	23,542	600,059	20,512	1,118,985

Notes:

- The land and buildings of the Group are situated in Hong Kong on medium-term leases.
- The power plant, referred to as the Tanjung Jati B Power Station, is located in Central Java, Indonesia and its development has been suspended. 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 (2001: HK\$146 million). The title of certain land sites for the plant have not yet been transferred to the Group. Impairment loss on the power plant amounted to HK\$1,703 million has been recognised in prior years.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2001 HK\$'000	2002 HK\$'000
Unlisted shares		
At cost less impairment	162,103	147,162
At directors' 1972 valuation less amounts written off	12,245	12,245
	174,348	159,407
Amounts due from subsidiaries less allowances	13,231,676	13,260,814
	13,406,024	13,420,221

Details of the principal subsidiaries are set out in note 38.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Road and property projects in the PRC		
Unlisted investments, at cost	5,888,359	5,814,422
Share of post acquisition reserves	342,523	659,339
Loans to jointly controlled entities	8,086,666	1,898,214
Less: Accumulated amortisation	(123,612)	(164,116)
	14,193,936	8,207,859
Property development project in Macau		
Unlisted investments, at cost	4,850	4,850
Share of post acquisition reserves	(41,911)	(43,585)
Loan to a jointly controlled entity	489,164	474,252
	452,103	435,517
	14,646,039	8,643,376
Less: Loan due within one year included in current assets (note 24)	(77,176)	(53,474)
	14,568,863	8,589,902

	The Company	
	2001 HK\$'000	2002 HK\$'000
Loan to a jointly controlled entity	107,037	—

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

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

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 ("GSZ Superhighway"). 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 GSZ Superhighway relating to each phase will revert to the PRC partner without compensation.

Phase I of the Superhighway ("Guangzhou-Shenzhen Superhighway")

The Group's entitlement to the profit of the toll operations of Guangzhou-Shenzhen 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 Guangzhou-Shenzhen Superhighway.

GSZ Superhighway has also been granted the rights to develop parcels of land within certain interchanges of Guangzhou-Shenzhen 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 GSZ Superhighway by the Group totalling approximately HK\$1,085 million (2001: HK\$6,953 million) carry interest at commercial lending rates. Guangzhou-Shenzhen Superhighway was officially opened in July 1997.

Financial information regarding GSZ Superhighway is set out below:

Operating results

	Year ended 30th June,	
	2001 RMB'000	2002 RMB'000
Turnover	1,766,880	1,892,137
Depreciation	138,465	148,044
Profit from ordinary activities before taxation	488,121	1,018,010
Profit from ordinary activities before taxation attributable to the Group	244,060	509,005

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

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

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

Phase I of the Superhighway ("Guangzhou-Shenzhen Superhighway") (continued)

Assets and liabilities	At 30th June,	
	2001 RMB'000	2002 RMB'000
Non-current assets		
Toll roads and other assets	11,691,227	11,452,574
Non-current liabilities		
Loans from joint venture partners	(6,757,736)	(468,162)
Bank borrowings	(3,223,153)	(8,508,180)
Other long-term liabilities	(736,220)	(458,576)
Registered capital contributed by a joint venture partner	(744,963)	(742,646)
Current assets	552,974	412,711
Current liabilities	(347,385)	(465,605)

Phases II and III of the Superhighway ("Guangzhou-Zhuhai Superhighway")

The rights and interests in the development of Phases II and III of the Superhighway were transferred to another subsidiary, Hopewell Guangzhou-Zhuhai Superhighway Development Limited ("HGZ Superhighway"), free of any payment.

Under the joint venture contract entered into with The Guangdong Provincial Highway Construction Company, Guangzhou-Zhuhai Superhighway will be developed in three phases through a jointly controlled entity to be established for this purpose. The co-operation period of Phase I of Guangzhou-Zhuhai Superhighway will be 30 years from the date on which the business licence of the jointly controlled entity is granted. The co-operation period of Phases II and III of Guangzhou-Zhuhai Superhighway will be 30 years from the respective commencement dates of the construction works for these phases. During the co-operation period of Phase I, HGZ Superhighway is entitled to 50% of the operating surplus of the jointly controlled entity arising from this phase after repayment of its borrowings. At the end of the co-operation period, all the immovable assets of the jointly controlled entity and facilities of the project will revert to the PRC partner without compensation. Detailed terms for development of Phases II and III of Guangzhou-Zhuhai Superhighway are yet to be agreed by the parties concerned. The joint venture contract is subject to approval by the relevant PRC authorities.

(b) Highway project 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 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 was officially opened in August 1996.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

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

(c) 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 Guangzhou East-South-West Ring Road, which are undertaken by a co-operative joint venture company established in the PRC named Guangzhou E-S-W Ring Road Company Limited ("Guangzhou Ring Road"). 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 operating surplus of Guangzhou Ring Road 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. The ring road was officially opened in January 2002.

The advances made to Guangzhou Ring Road by the Group totalling approximately HK\$957 million (2001: HK\$1,243 million) are unsecured and interest free and are repayable out of the net cash surplus from the operations of the joint venture company.

(d) National Highway 105 project in Shunde

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 29 years from 31st December, 1997 comprising a construction period of 3 years and an operation period of 26 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 registered capital. The highway was officially opened in January 2001.

(e) Property development project in Macau

The unlisted 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\$474 million (2001: HK\$489 million) which are unsecured with no fixed repayment terms, 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, 2002

18. INTERESTS IN ASSOCIATES

The Group		
	2001 HK\$'000	2002 HK\$'000
Share of net assets	116,254	92,053
Amounts due from associates	2,323	6,292
	118,577	98,345

The Company		
	2001 HK\$'000	2002 HK\$'000
Unlisted shares and investments, at cost	12,959	7,939
Less: Impairment loss recognised	(2,750)	(2,250)
Amounts due from associates	1,951	5,886
	12,160	11,575

Details of the principal associates are set out in note 39.

19. OTHER INVESTMENTS

	The Group		The Company	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
BERTS concession (Note)				
Development expenditure, at cost	5,313,000	5,313,000	–	–
Less: Impairment loss recognised	(5,313,000)	(5,313,000)	–	–
	–	–	–	–
Investment securities				
Unlisted equity investments, at cost	131,110	131,008	3,000	3,000
Less: Impairment loss recognised	(90,951)	(90,951)	–	–
	40,159	40,057	3,000	3,000
	40,159	40,057	3,000	3,000

Note:

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 which has been disputed by HTL. Details of the disputes are set out in note 37(b).

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

20. LONG-TERM RECEIVABLES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Loans receivable	356,055	448,154
Interest receivable	–	24,674
Proceeds on disposal of a jointly controlled entity	–	257,593
	356,055	730,421
Less: Amounts due within one year included in current assets		
Loans receivable (note 24)	(17,912)	(122,257)
Proceeds on disposal of a jointly controlled entity (note 23)	–	(20,159)
	338,143	588,005

21. RESTRICTED/PLEDGED BANK DEPOSITS

	The Group	
	2001 HK\$'000	2002 HK\$'000
Pledged bank deposits	87,376	95,504
Restricted bank deposits (Note)	–	5,086,602
	87,376	5,182,106
Less: Current portion of restricted bank deposits included in current assets	–	(3,349,259)
	87,376	1,832,847

Note:

Restricted bank deposits consist of deposits placed with the trustee for the noteholders 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 29).

22. INVENTORIES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Hotel and restaurant inventories	9,958	9,696
Construction materials	359	–
	10,317	9,696

The cost of inventories recognised as an expense during the year amounted to approximately HK\$70,522,000 (2001: HK\$75,011,000).

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

23. 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:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Receivables aged		
0 – 30 days	81,910	67,223
31 – 60 days	6,936	29,672
Over 60 days	7,685	7,670
Proceeds on disposal of a jointly controlled entity (note 20)	–	20,159
Retentions receivable	34,023	33,928
	130,554	158,652

24. LOANS RECEIVABLE – CURRENT PORTION

	The Group	
	2001 HK\$'000	2002 HK\$'000
Loan to a jointly controlled entity (note 17)	77,176	53,474
Other loans receivable (note 20)	17,912	122,257
	95,088	175,731

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

	The Group	
	2001 HK\$'000	2002 HK\$'000
Contract costs incurred	593,848	928,379
Recognised profits less losses	22,172	5,893
	616,020	934,272
Less: Progress billings received and receivable	(646,333)	(938,024)
	(30,313)	(3,752)
Represented by:		
Due from customers included in current assets	4,520	11,927
Due to customers included in current liabilities	(34,833)	(15,679)
	(30,313)	(3,752)

At 30th June, 2002, retentions held by customers and advances received from customers for contract work amounted to approximately HK\$34 million (2001: HK\$34 million) and HK\$9 million (2001: HK\$9 million) respectively.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

26. TRADE AND OTHER PAYABLES

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

	The Group	
	2001 HK\$'000	2002 HK\$'000
Payables due		
0 – 30 days	184,586	198,443
31 – 60 days	171,378	174,682
Over 60 days	155,534	125,850
Retentions payable	32,660	32,761
Development expenditure payable (Note)	685,033	693,218
	1,229,191	1,224,954

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 the expenditure are overdue and have been withheld by the subsidiaries pending the outcome of negotiations currently undertaken to recover the costs of investments in these projects.

27. SHARE CAPITAL

	The Group and the Company	
	Number of shares 2002 & 2001 '000	Nominal value 2002 & 2001 HK\$'000
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, 2002.

During the year, the Company granted options, at nominal considerations, to certain directors and employees of the Group to subscribe for a total of 8,300,000 ordinary shares in the Company at the exercise price of HK\$6.15 per share. The options are exercisable in the following manner:

Maximum proportion of option
exercisable including the proportion
of option 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

The date of grant of option referred to above represents the date on which the option was accepted by the grantee.

Save as disclosed above, no option was granted, exercised, cancelled or lapsed during the year.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2002

28. RESERVES

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange equalisation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 1st July, 2000							
– as previously stated	8,508,890	2,612,053	12,711	4,399	–	314,627	11,452,680
– prior period adjustments (note 2)	–	–	70,285	–	52,559	(43,696)	79,148
– as restated	8,508,890	2,612,053	82,996	4,399	52,559	270,931	11,531,828
Final dividend for year ended 30/6/2000 paid	–	–	–	–	(52,559)	–	(52,559)
Revaluation increase	–	40,815	–	–	–	–	40,815
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	–	–	–	(8,843)	–	–	(8,843)
Share of reserves of jointly controlled entities and associates	–	–	–	(31)	–	–	(31)
Reserve realised on disposal of subsidiaries and jointly controlled entity	–	–	14	2,660	–	–	2,674
Net profit for the year	–	–	–	–	–	305,510	305,510
Interim dividend paid	–	–	–	–	–	(43,799)	(43,799)
Final dividend proposed	–	–	–	–	61,319	(61,319)	–
At 30th June, 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
Interim dividend paid	–	–	–	–	–	(52,559)	(52,559)
Final dividend proposed	–	–	–	–	61,319	(61,319)	–
Special dividend proposed	–	–	–	–	262,794	(262,794)	–
At 30th June, 2002	8,508,890	2,254,315	83,010	(504)	324,113	434,441	11,604,265
THE COMPANY							
At 1st July, 2000							
– as previously stated	8,508,890	–	9,872	–	–	525,106	9,043,868
– prior period adjustment (note 2)	–	–	–	–	52,559	–	52,559
– as restated	8,508,890	–	9,872	–	52,559	525,106	9,096,427
Final dividend for year ended 30/6/2000 paid	–	–	–	–	(52,559)	–	(52,559)
Net profit for the year	–	–	–	–	–	39,901	39,901
Interim dividend paid	–	–	–	–	–	(43,799)	(43,799)
Final dividend proposed	–	–	–	–	61,319	(61,319)	–
At 30th June, 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
Interim dividend paid	–	–	–	–	–	(52,559)	(52,559)
Final dividend proposed	–	–	–	–	61,319	(61,319)	–
Special dividend proposed	–	–	–	–	262,794	(262,794)	–
At 30th June, 2002	8,508,890	–	9,872	–	324,113	329,776	9,172,651
Included above is the Group's share of post-acquisition reserves of jointly controlled entities, as follows:							
At 30th June, 2002	–	–	–	(259)	–	722,930	722,671
At 30th June, 2001	–	–	–	1,246	–	299,368	300,614
Included above is the Group's share of post-acquisition reserves of associates, as follows:							
At 30th June, 2002	–	25,273	–	24,853	–	33,364	83,490
At 30th June, 2001	–	25,273	–	24,185	–	53,706	103,164

The Company's total distributable reserves at 30th June, 2002 represent retained profits and dividend reserve of HK\$329,776,000 (2001: HK\$459,889,000) and HK\$324,113,000 (2001: HK\$61,319,000) respectively.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

29. LONG-TERM BORROWINGS

	The Group	
	2001 HK\$'000	2002 HK\$'000
Unsecured notes payable (Note)		
Principal amount	4,493,541	4,415,541
Premium on early redemption of notes accrued	–	112,528
Less: Unamortised note issue expenses	(84,694)	(26,345)
	4,408,847	4,501,724
Secured bank loans payable		
within one year	194,825	289,776
between one and two years	448,625	400,499
between two and five years	1,734,218	1,751,569
after five years	993,600	501,000
	3,371,268	2,942,844
Other unsecured loans payable between two and five years	46,234	46,880
	7,826,349	7,491,448
Less: Portion due within one year included in current liabilities		
Unsecured notes payables	–	(2,902,341)
Premium on early redemption of notes	–	(112,528)
Less: Unamortised note issue expenses	–	13,252
	–	(3,001,617)
Secured bank loans	(194,825)	(289,776)
	(194,825)	(3,291,393)
	7,631,524	4,200,055

Note:

The balance represents:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Principal amount of the notes payable		
within one year	–	2,902,341
between two and five years	1,513,200	1,513,200
after five years	2,980,341	–
	4,493,541	4,415,541

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.

The 2004 Notes and 2007 Notes will mature on 15th August, 2004 and 15th August, 2007 respectively at 100% of their principal amount, unless redeemed earlier pursuant to the terms of the relevant notes. The 2004 Notes shall be redeemed on their maturity date. The 2007 Notes are redeemable at the option of the issuer at any time on or after 15th August, 2002, in whole or in part, at the following redemption prices plus accrued interest:

Year	Redemption price
2002	105.1250%
2003	102.5625%
2004 and thereafter	100.0000%

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

29. LONG-TERM BORROWINGS *(continued)*

The aggregate principal value of notes outstanding at 30th June, 2002 is approximately US\$566.1 million (2001: US\$593.6 million). The Group's liability shown above is presented net of notes with an aggregate principal value of approximately US\$10 million (2001: US\$17.5 million) repurchased during the year.

During the year, the Group's jointly controlled entity, Guangzhou-Shenzhen-Zhuhai Superhighway Company Ltd. repaid the loans advanced by the Group amounting to an aggregate of approximately US\$684 million. The Group has 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. The Group has also resolved to exercise the option to early redeem in August 2002 the notes due in 2007 with an aggregate outstanding principal of approximately US\$372 million pursuant to the terms of the notes.

30. WARRANTY LIABILITIES

	The Group		The Company	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Warranties payable (Note a)				
Within one year	78,000	–	78,000	–
Between one and two years	78,000	–	78,000	–
Between two and five years	78,000	–	78,000	–
	234,000	–	234,000	–
Warranty provisions at beginning and end of the year (Note b)	164,059	164,059	–	–
	398,059	164,059	234,000	–
Less: Portion due within one year included in current liabilities	(78,000)	–	(78,000)	–
	320,059	164,059	156,000	–

Notes:

- (a) The warranties payable, which carried interest at 10% per annum, were fully settled during the year.
- (b) The warranty provisions represent management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties given in connection with the disposal of subsidiaries in prior years and, in the opinion of management, are not expected to be payable within one year from the balance sheet date. Accordingly, the provisions are classified as non-current liabilities.

Circumstances giving rise to these liabilities are detailed in note 37(a).

31. 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.

32. 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, 2002

33. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2002 HK\$'000
Profit from ordinary activities before taxation	335,526	362,944
Share of results of jointly controlled entities and associates	(224,820)	(557,738)
Interest income from		
jointly controlled entities	(519,616)	(202,157)
bank deposits	–	(54,018)
Dividend from unlisted investments	–	(467)
Interest expenses less amounts capitalised and amount borne by a jointly controlled entity	726,037	599,110
Premium on early redemption of notes	–	112,528
Notes issue expenses amortised	17,260	56,720
Depreciation of property, plant and equipment	15,908	7,636
Profit on disposal of interest in a jointly controlled entity	(381,832)	(191,385)
Impairment loss on a hotel property under development	290,000	–
Amortisation of cost of investment in jointly controlled entities	36,543	40,504
Loss (gain) on disposal of property, plant and equipment	2,141	(495)
Gain on repurchase of notes	(22,791)	(620)
Decrease in inventories	1,838	621
Decrease in properties for sale	1,488	–
Decrease in trade and other receivables, deposits and prepayments	138,417	15,261
(Decrease) increase in trade and other payables and rentals and other deposits	(323,314)	18,260
Increase in amounts due from customers for contract work	(4,520)	(7,407)
Decrease in amounts due to customers for contract work	(57,033)	(19,154)
NET CASH INFLOW FROM OPERATING ACTIVITIES	31,232	180,143

34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Warranty liabilities HK\$'000	Long-term borrowings and short-term loans not within three months of maturity* HK\$'000
Balance at 1st July, 2000	475,899	10,540,831
Exchange adjustments	160	(4,068)
Net cash outflow from financing activities	(78,000)	(2,376,883)
Gain on repurchase of notes	–	(22,791)
Notes issue expenses charged to income statement	–	17,260
Balance at 30th June, 2001	398,059	8,154,349
Exchange adjustments	–	10,392
Net cash outflow from financing activities	(234,000)	(736,921)
Gain on repurchase of notes	–	(620)
Notes issue expenses charged to income statement	–	56,720
Balance at 30th June, 2002	164,059	7,483,920

	2001 HK\$'000	2002 HK\$'000
* Included in:		
Long-term borrowings	7,826,349	7,378,920
Short-term bank loans	328,000	105,000
	8,154,349	7,483,920

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

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

- (a) At the balance sheet date, the Group's investments in certain jointly controlled entities engaging in the development of infrastructure projects were pledged to the lenders to secure the bank loan facilities to the extent of approximately HK\$607 million (2001: HK\$1,190 million) granted to the Group and the jointly controlled entities to finance the development of such projects.
- (b) Other credit facilities of the Group to the extent of approximately HK\$3,072 million (2001: HK\$2,934 million) were secured by mortgages or charges on the Group's properties, bank deposits and other assets with an aggregate carrying value of approximately HK\$6,772 million (2001: HK\$7,186 million). At the balance sheet date, such facilities were utilised to the extent of approximately HK\$2,451 million (2001: HK\$2,765 million).
- (c) The amounts due by certain subsidiaries to their holding companies totalling approximately HK\$7,226 million (2001: HK\$6,905 million) 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 interests in a subsidiary which acts as the holding company of subsidiaries operating principally in the PRC. The option is only exercisable upon the future successful public flotation of this subsidiary 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

At the balance sheet date, companies in the Group had outstanding commitments as follows:

(a) Guangzhou-Zhuhai Superhighway, the PRC

As detailed in note 17(a), a subsidiary has undertaken the development of Guangzhou-Zhuhai Superhighway through a jointly controlled entity to be established in the PRC. The estimated total development expenditure for Phase I of Guangzhou-Zhuhai Superhighway amounted to approximately RMB1,680 million of which RMB294 million will be provided by the Group. Up to the balance sheet date, development expenditure of approximately RMB134 million (2001: RMB134 million) has been incurred by the Group for this project.

(b) National Highway 105 in Shunde, the PRC

As detailed in note 17(d), a subsidiary has undertaken the development of National Highway 105 through a jointly controlled entity established in the PRC. During the year, the subsidiary entered into a preliminary agreement to develop Phase III of the highway at the cost of approximately RMB280 million, of which RMB28 million will be provided by the Group. The preliminary agreement is subject to approval by the relevant PRC authorities.

(c) Power Station Project in the Republic of Indonesia

A subsidiary has undertaken the development of the Tanjung Jati B Power Station in Indonesia. The total development cost is 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 (2001: HK\$3,163 million). The Group has issued a notice to P.T. PLN (Persero), an electricity company operating in Indonesia, of the occurrence of certain Events of Force Majeure under the terms of the power purchase agreement. The development of this project has been temporarily suspended.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

36. PROJECT COMMITMENTS *(continued)*

(d) Other investments

- (i) A subsidiary has agreed to provide funds to the extent of HK\$800 million to a jointly controlled entity for the development of its property development project. At the balance sheet date, funds advanced by the subsidiary to the jointly controlled entity amounted to approximately HK\$474 million (2001: HK\$489 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\$33,933,000 (2001: HK\$374,000).
- (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.

(e) Property development expenditures

	The Group		The Company	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Authorised but not yet contracted for	66,519	88,054	—	—
Contracted for but not provided	21,513	4,607	—	—
	88,032	92,661	—	—

37. 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 that 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 consideration thereof, the Group has agreed to give certain performance undertakings and indemnities and to make warranty payments to the purchaser and its affiliates which have been provided for in prior years.

(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 which have been made by HTL and the performance bond of approximately HK\$94 million issued by a bank on behalf of HTL. However, the Government party has been unable to seize the bond since 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.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

37. CONTINGENCIES *(continued)*

(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.

(e) Other indemnities and guarantees

	The Group		The Company	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Guarantees given for credit facilities of:				
Subsidiaries	–	–	3,994,554	3,147,778
A jointly controlled entity	–	706,500	–	–
Counter indemnities given in respect of performance bonds issued for construction projects	28,885	–	28,885	–

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

38. PRINCIPAL SUBSIDIARIES

The following list contains only the details of the subsidiaries 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 and are operating principally in the place of incorporation 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 share capital	Proportion of nominal value of issued ordinary share capital held by the Company		Principal activities
		Directly %	Indirectly %	
Incorporated in Hong Kong:				
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 2 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
Hopewell Property Management Company Limited	2 shares of HK\$100 each	100	–	Building 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

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

38. PRINCIPAL SUBSIDIARIES *(continued)*

		Proportion of nominal value of issued ordinary share capital held by the Company		
Name of company	Paid up issued share capital	Directly %	Indirectly %	Principal activities
Incorporated in Hong Kong: (continued)				
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
Incorporated in Macau:				
Slipform Engineering (Macau) Limited	500,000 shares of MOP 1 each	–	100	Construction
Incorporated in the British Virgin Islands:				
Frederique Securities Limited (i)	1 share of US\$1 each	100	–	Treasury investment
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	–	97.5	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 (ii)	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, 2002

38. PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Paid up issued share capital	Proportion of nominal value of issued ordinary share capital held by the Company		Principal activities
		Directly %	Indirectly %	
Incorporated in Cayman Islands:				
Delta Roads Limited (i)	46,422 shares of HK\$10 each	–	100	Investment holding
Incorporated in Thailand:				
Hopewell (Thailand) Limited	1,500,000,000 shares of Baht 10 each	100	–	Investment in an elevated road and train system
Incorporated in the Republic of Malta:				
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 LM1 each	–	100	Project management and construction
Incorporated in Indonesia:				
PT Hi Power Tubanan 1	2,200,000 shares of US\$100 each	–	80	Development of a power station project

Notes:

- (i) Operating principally in Hong Kong
- (ii) Operating principally in other regions of the PRC

The non-voting deferred shares carry practically no rights to dividends, no rights to receive notice of or to attend or vote at any general meeting of the relevant companies nor to participate 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.

39. PRINCIPAL ASSOCIATES

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

Name of company	Proportion of nominal value of issued capital held by the Company directly	Principal activities
	%	
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.

Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

40. 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:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Within one year	875	952
In the second to fifth year inclusive	1,365	2,216
	2,240	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 to five years.

The Group as lessor

All of the properties leased out 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:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Within one year	217,112	165,753
In the second to fifth years inclusive	191,297	102,975

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

41. POST BALANCE SHEET EVENTS

On 15th August, 2002, the Group exercised the option under the instrument constituting the 2007 Notes to redeem all the outstanding 2007 Notes with an aggregate principal amount of HK\$2,902 million at the redemption price of 105.125% of the principal amount.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 47 to 87 were approved and authorised for issue by the Board of Directors on 20th August, 2002.

List of Major Properties

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

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

B. Properties for/under development:

Property/land	Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)
Mega Tower Hotel	Kennedy Road Ship Street, Hau Fung Lane, Wanchai, Hong Kong.	Commercial & Hotel (Development at planning stage)	6,836#	171,343	100
196-206 Queen's Road East	196-206 Queen's Road East, Wanchai, Hong Kong.	For development	464	N/A	100
City East Building	214-224 Queen's Road East, Wanchai, Hong Kong.	For development	459	4,146*	100
9-19 Sam Pan Street Hong Kong	9-19 Sam Pan Street, Wanchai, Hong Kong.	For development	623	N/A	100
Nova Taipa Gardens	North shore of Taipa Island, Macau.	Residential, commercial, hotel/conventional centre and carparks (Substructure works for Phase II completed)	175,729	973,203	50
Grand Hotel Excelsior	Great Siege Road, Floriana, Republic of Malta.	Hotel (Under redevelopment)	33,428	55,328	100

Note:

* Excluding car parking spaces.

Total site area of the land required for the property development is 11,040 sq.m. of which a total of 6,836 sq.m. are held by the Group and a total of 4,204 sq.m. will be acquired by the Group mainly by way of land exchange with the government at a premium yet to be finalised.