



Road King Infrastructure Limited

(incorporated in Bermuda with limited liability)

2003

annual report

**Positive Thinking
Active Participation**

CORPORATE PROFILE

Road King Infrastructure Limited is a leading Hong Kong listed company with its core business in the investment, development, operation and management of toll roads and other infrastructure projects in China. In 2004, Road King has an investment portfolio over HK\$5.3 billion, comprising over 20 toll roads and bridges spanning over a thousand kilometers and over 60 toll stations in 8 provinces of China.

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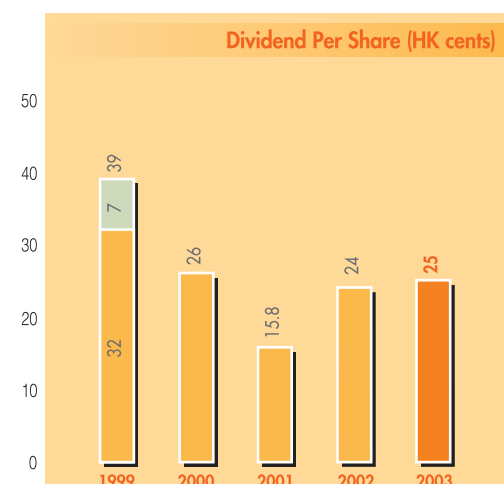
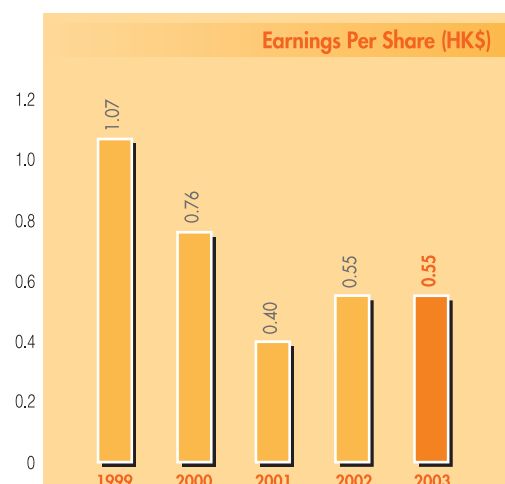
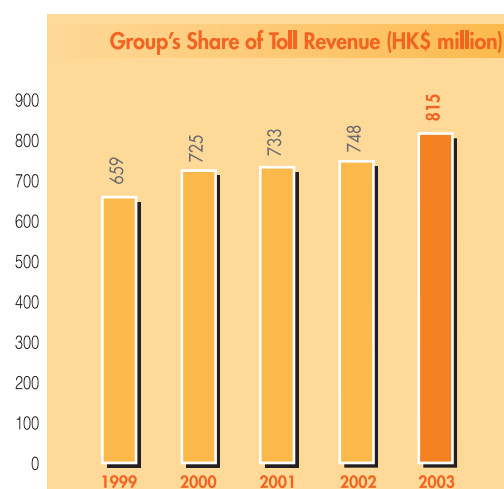
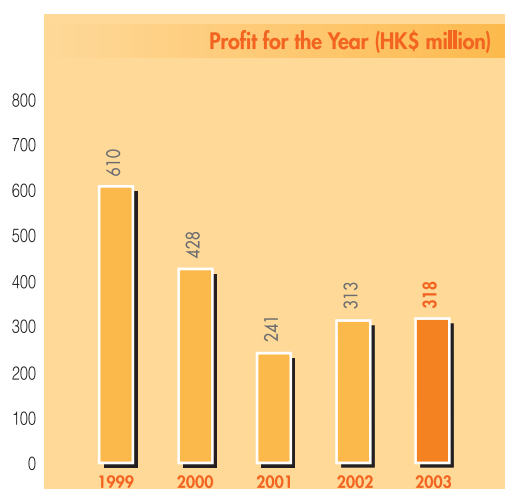
FINANCIAL HIGHLIGHTS

Consolidated Income Statement

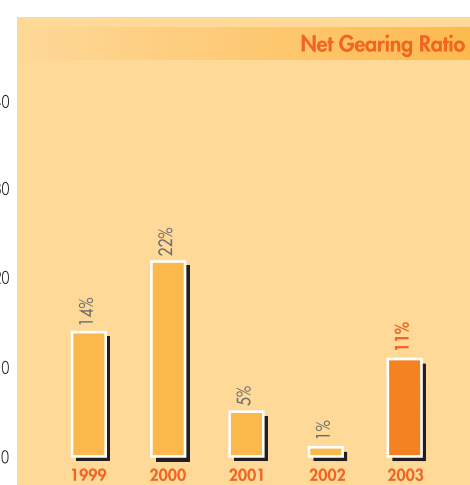
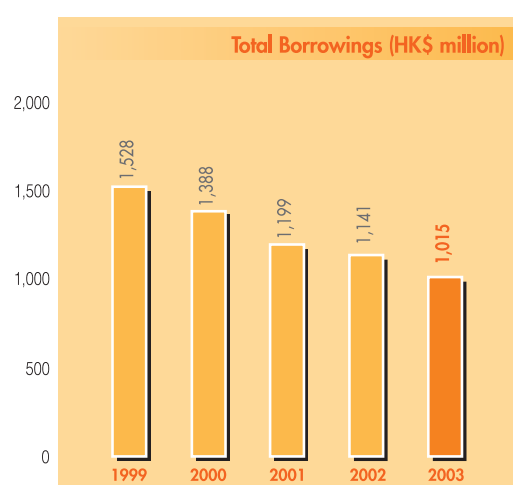
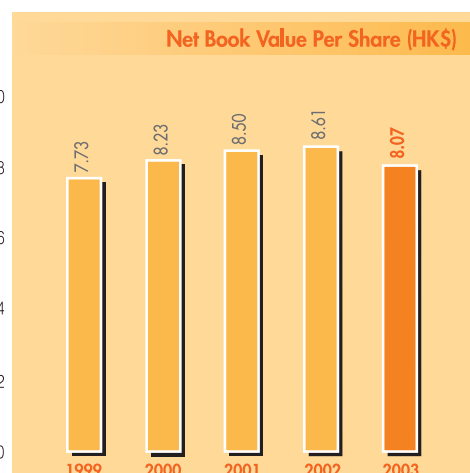
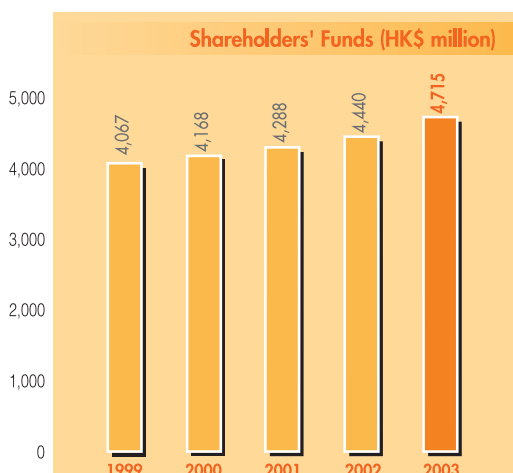
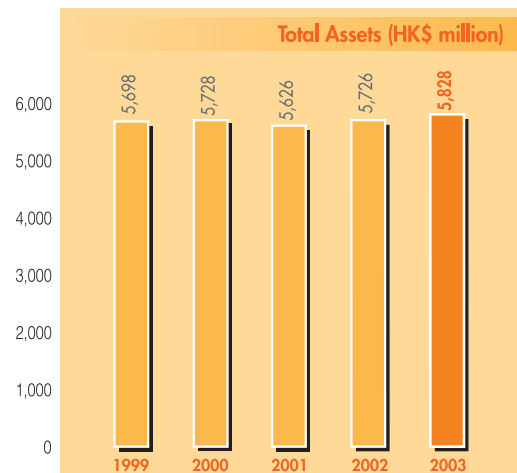
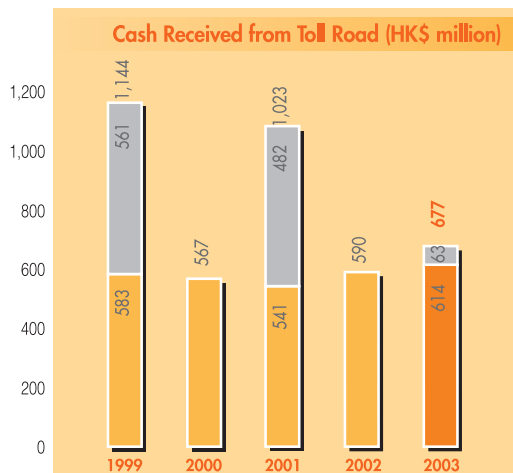
(HK\$ million)	2003	Year ended 31 December			
		2002	2001	2000	1999
Group's share of toll revenue	815	748	733	725	659
Share of operating profit of joint ventures	433	417	399	403	371
Profit before taxation	366	349	297	449	625
Profit for the year	318	313	241	428	610

Consolidated Balance Sheet

(HK\$ million)	2003	As at 31 December			
		2002	2001	2000	1999
Total assets	5,828	5,726	5,626	5,728	5,698
Total liabilities	(1,072)	(1,204)	(1,257)	(1,475)	(1,611)
Minority interests	(41)	(82)	(81)	(85)	(20)
Shareholders' funds	4,715	4,440	4,288	4,168	4,067



Special dividend

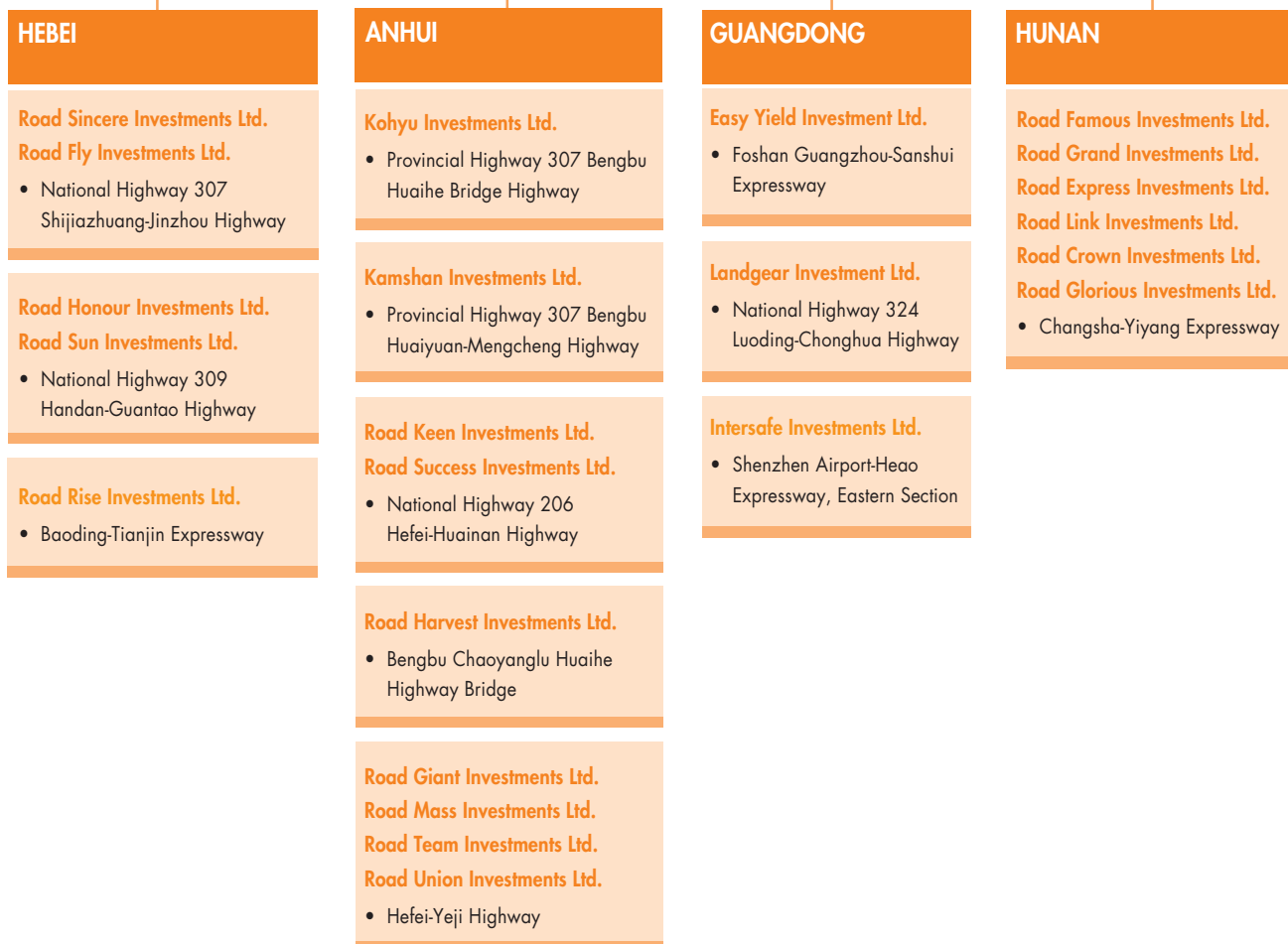


Related to disposal of interests in infrastructure joint venture(s)/subsidiary



ROAD KING INFRASTRUCTURE LIMITED*

Road King (China)
Infrastructure Limited





SHANXI

Pondtai Investments Ltd.

- National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway

Road Fortune Investments Ltd.

- Taiyuan-Yuci Highway

Road Gain Investments Ltd.

- National Highway 108 Yuci City Bypass

Road Well Investments Ltd.

- Provincial Highway 104 Taiyuan Ximing-Gujiao Highway

JIANGSU

Anwell Investment Ltd.

- Provincial Highway 343 Suzhou-Shanghai Airport Highway

Lumbar Investments Ltd.

- Provincial Highway 232 Changzhou-Caoqiao Highway

GUANGXI

Tonston Investments Ltd.

- Yulin City Ring Roads

Signrite Investments Ltd.

- Yulin-Gongguan Highway, Yulin Section

HENAN

Lackson Investments Ltd.

Longdistance Investments Ltd.

- National Highway 311 and Provincial Highway 01 Xuchang-Nanyang Highway

Herb King International Limited

****Chai-Na-Ta Corp.**

* listed on the Hong Kong Stock Exchange

**listed on the Toronto Stock Exchange and traded on the NASDAQ OTC Bulletin Board

Note: including principal business operating subsidiaries only



ZEN Wei Pao, William
Chairman

Dear Shareholders,

In 2003, the Group continued to develop its core business steadily in China with solid and stable direction.

The Group's consolidated net profit for the year was HK\$318.3 million and earnings per share was HK55 cents. The Board of Directors has proposed a final dividend of HK10 cents per share. Together with the interim dividend, the total dividend per ordinary share for 2003 is HK25 cents, representing an increase of 4% over that of 2002.

The Group's toll road business generated stable and strong cash inflow. In 2003, the Group received a total amount of HK\$677 million. Even though capital investments on new projects during the year amounted to over HK\$900 million, the Group's cash and bank balances at the end of the year still maintained at HK\$488 million. The gearing and net gearing ratio were at low level of 22% and 11% respectively. This healthy operational and financial structure provided flexibility for the Group to further develop its business.

Following the persistent economic growth in China, car ownership in China is at a fast growing stage and hence traffic volume increased tremendously. The increase of traffic volume recorded in the second half of 2003 not only compensated the revenue loss due to Severe Acute Respiratory Syndrome ("SARS") in the first half of the year but also exceeded the Group's annual forecast. The Group is optimistic about toll road business in China. The Group will continue to develop this core business with its reputable goodwill, valuable experience and outstanding human resources. In September 2003, the Group successfully acquired 40% equity interest in Baoding-Tianjin Expressway project in Hebei Province, which has already made profit contribution to the Group. In 2004, the Group will be more aggressive and is targeting to secure two to three more highway projects.



Since our establishment, the Group strongly believed China's economic growth would be the fastest in the world and with plenty of business opportunities. The economic development in recent years in China has confirmed this belief. With the improving economic and business environment, the Group will rest upon our solid foundation to further expand its business developments with more aggressive pace and controllable risk. This will further strengthen the Group's foundation and also deliver a more reliable and substantial medium to long term return to shareholders.

I would like to take this opportunity to express my hearty gratitude to our shareholders, our business partners, directors, and loyal and dedicated colleagues.

Zen Wei Pao, William

Chairman

Hong Kong, 26 March 2004



KO Yuk Bing

Managing Director and Chief Executive Officer

2003 Results

The Group achieved a net profit of HK\$318.3 million for the year 2003 (2002: HK\$312.8 million), representing an increase of 1.8%. Earnings per share was HK55 cents, same as 2002.

Business Review

Investment, development and management of highway projects is the Group's core business.

During 2003, highway projects of the Group recorded a total traffic of 107 million vehicles and annual toll revenue of RMB1.445 billion, an increase of 7% and 11% respectively as compared to 2002 (the traffic and toll revenue from Baoding-Tianjin Expressway project in Hebei Province and disposed projects were excluded). The outbreak of SARS slowed down the traffic growth in the second and third quarter. However, both traffic flow and toll revenue in the late third quarter and the fourth quarter increased significantly compared to the same period of 2002.

In 2003, the Group received HK\$614 million from toll road business (excluding the disposal proceeds from Guangdong Zhongshan Qijiang Highway project), a moderate increase of 4% over 2002. Currently some of the Group's PRC joint venture partners are entitled to a higher profit sharing ratio. Upon the recovery of the partners' investment amounts, the Group's profit sharing ratio will increase again.

In line with the Group's long-term business development strategy, the Group completed the disposal of its entire interest in Guangdong Zhongshan Qijiang Highway project in June 2003.

After consulting with legal counsel's opinion, in August 2003, the Group applied for an arbitration plea to China International Economic and Trade Arbitration Commission requesting the PRC joint venture partners and related parties of Yulin City projects in Guangxi Zhuang Autonomous Region to honor their payment of minimum income undertakings according to the joint venture agreements. The plea has been formally accepted and is in progress.

In September 2003, the Group completed the acquisition of 40% interest in toll collection and operation rights of Baoding-Tianjin Expressway project in Hebei Province. This project had made profit contribution to the Group since October 2003.

In October 2003, the toll rate increase of Xunan Highway project in Henan Province was approved.

In March 2004, the Group signed a conditional agreement with a PRC partner to acquire 45% of toll collection and operation rights of Tangshan-Tianjin Expressway in Hebei Province. The transfer application was already submitted to relevant government authorities for approval.

For the year of 2003, the Group's subsidiary Chai-Na-Ta Corp. which is the world's largest supplier of North American ginseng, recorded a net profit of C\$2.6 million (2002: C\$0.3million). In December 2003, the Group exercised the option to convert 10,000,000 preferred shares of Chai-Na-Ta Corp. into ordinary shares. After conversion, the Group's shareholding of Chai-Na-Ta Corp. increased to 78%.

Financial Review

Liquidity and Financial Resources

As at 31 December 2003, the Group's net assets increased to HK\$4.715 billion and net assets per share was HK\$8.07. Total assets reached HK\$5.828 billion, while cash and bank balances were HK\$488 million. During 2003, the Group received a total of HK\$677 million from highway projects which included the proceeds of HK\$63 million from the disposal of Guangdong Zhongshan Qijiang Highway project.

The Group continued to adopt prudent financial policies in cash management and bank borrowing. During the year, the Group underwent certain debt reduction and financing exercises to better improve our cash management as well as reducing financing cost. In February 2003, the US\$75 million transferable term loan facility was fully repaid for the outstanding of HK\$488 million. In addition, two standby letter of credit facilities for a total amount of HK\$117 million were early retired during the year. While in June 2003, the Group arranged two new banking facilities, one of which was a HK\$350 million banking facility for financing Baoding-Tianjin Expressway project and the other one was a HK\$100 million standby short term revolving facility.

The Group's consolidated borrowings and net borrowings were HK\$1.015 billion and HK\$528 million respectively as at 31 December 2003. Gearing ratio was at 22% improving from 26% in 2002. The Group's major borrowings included a US dollar denominated Guaranteed Notes with an outstanding balance equivalent to HK\$622 million, HK dollar denominated loan facilities with an aggregate outstanding balance equivalent to HK\$382 million, and Canadian dollar denominated loan facilities with an aggregate outstanding balance of HK\$11 million.

The table below shows the maturity profile of the Group's borrowings as at 31 December 2003: -

Year of Maturity	HK\$ million
Due within one year	55
Due in 1 to 2 years	100
Due in 2 to 5 years	860

In August 2003, Standard and Poor's reaffirmed the Group's corporate rating to be of investment grade with a "BBB-" rating with a stable outlook.

The low gearing position, steady and strong cash receipts, together with the Group's investment corporate credit rating facilitated the arrangement of low-cost financing. In December 2003, the Group gave mandate to banks to arrange a syndicated loan of US\$100 million for general working capital and future project investments.

Finance Cost and Interest Rate

The total finance costs of the Group reduced from HK\$81 million in 2002 to HK\$66 million in 2003, a drop of 19%.

With the exception of the fixed-rate US dollar denominated Guaranteed Notes, all borrowings of the Group are on a floating rate basis.

Capital Investments

During the year, the Group's total capital investments were approximately HK\$909 million of which HK\$906 million was capital investments in the Baoding-Tianjin Expressway project.

Future Commitments

As at 31 December 2003, the Group had major capital commitments of approximately HK\$37 million of which HK\$3 million will be required in 2004 and the remaining will be required after the fifth year.

The Group's current financial resources are able to meet the expenditure for the aforesaid capital commitments.

Charges on the Group Assets

The Guaranteed Notes were secured by a floating charge over all the assets of a subsidiary including a charge over deposits, and were jointly and severally guaranteed by the Company and some of its subsidiaries. In respect of the Canadian dollar financing, the credit facilities were secured by inventories and certain real properties of an overseas subsidiary. As at 31 December 2003, total charged deposits of the Group were approximately HK\$56 million.

Exposure on Foreign Exchange Fluctuations

The Group maintained a conservative treasury policy to minimize exposure to foreign exchange risks. To reduce the overall exposure to exchange risk, the majority of the Group's bank deposits are held in both US dollars and HK dollars.

Corporate Governance

The Company believes a high standard of corporate governance and transparency is very important. The Group's Audit Committee comprised of two Independent Non-executive Directors and one Non-executive Director and it supervises the Group's financial and operational management and control.

Employees

As at 31 December 2003, the Group had a total of 163 employees (excluding staff of the joint ventures). Staff costs (excluding emoluments of the directors) amounted to HK\$35 million. Employees are remunerated according to their performance and responsibility. Other employee benefits include provident fund, insurance, medical cover, training programs as well as a share option scheme. In 2003, 4,870,000 share options were issued to employees under the new share option scheme.



**MANAGEMENT
DISCUSSION &
ANALYSIS**

Hebei Province

Hebei facilitates its economic development with Beijing and Tianjin in its embrace. GDP in 2003 amounted to RMB709.5 billion, hitting a record growth rate of 11.6% since 1998. Industrial production has accelerated. Total value added of industry is RMB325.2 billion, proportion of products sold reaching 98.7%. Industrial restructuring has achieved extraordinary results; medicine, gold smelting, chemicals have contributed 45% of the industrial growth. Pig iron and steel has recorded 47.2% and 53.5% growth in production volume respectively. To match the need of development, the Hebei government actively pushed infrastructure development; highway mileage for the province in 2003 amounted to 65,391 km, while that of expressway hit 1,681 km. With the more convenient road system and the reduced market price of motor vehicles due to lower import tax, car ownership in the province is growing at a rate of 3,000 vehicles per month to 1.25 million. Toll road business is in its stage of rapid development.



The Group's investment in Hebei Province:

	Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
1.	Baojin Expressway	11,512	-	55.95*	-
2.	Shijin Highway	12,594	+1.9%	44.09	+6.8%
3.	Hanguan Highway	10,130	-4.1%	71.58	+0.7%

* 3-month contribution from October to December, 2003

Baojin Expressway, with a total of 104.95 km in length and 7 toll stations, is the major link between Tianjin Municipality and Baoding. The group has invested RMB960 million in the project, acquiring 40% of the interests in the expressway, whose total investment amounted to RMB2.4 billion. Toll revenue of the project contributed to the group since October 2003, amounted to RMB55.95 million in 3 months' time. With the rapid development in Tianjin, generating more traffic between the neighbouring Hebei province, the project is anticipated to become a major source of income of the group in 2004.

Toll revenue of Shijin Highway has remained steady increase. The project management will maintain its tight toll collection management, and strengthen measures against bypassing traffic.

Hanguan Highway has been adversely affected by major repair and maintenance works carried out on the highway and the checking on overloaded trucks, together with the decline in coal trucks from Shanxi, where coal mines are forced to close down after several mine explosion incidents. Toll revenue has basically been maintained in 2003 as compared with 2002.



Anhui Province

Adversely affected by SARS and floods, Anhui still managed to maintain a satisfactory growth in economy. GDP has reached RMB397.3 billion in 2003, a 9.2% rise, and fixed asset investments increased 30.4%. Internal consumption has climbed steadily, but its composition is undergoing rapid changes. Residential real estate, cars, home appliances and communication devices has become the focus of consumption, in which car retail sales have recorded a 130% increase, from which performance of toll roads has benefited. As at the end of 2003, turnover of freight transport on highways amounted to 31.8 billion ton-km in the province, whereas turnover of passenger transport on highways amounted to 39.7 billion passenger-km, rose by 6.3% and 6.9% respectively.

The Group's investment in Anhui Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
4. Bengbu Huaihe Bridge Highway	8,664	-29.9%	30.64	-29.2%
5. Bengbu Huaimeng Highway	10,551	+32.5%	54.95	+76.2%
6. Hehuai Highway	17,289	-3.3%	68.09	-13.6%
7. Heye Highway	27,524	+9.6%	151.20	+3.5%
8. Chaoyanglu Huaihe Bridge	6,903	+76.6%	22.33	N/A

Bengbu Huaihe Bridge Highway, Bengbu Huaimeng Highway and Chaoyanglu Huaihe Bridge supplements each other, forming an inseparable highway system. Owing to the Chaoyanglu Huaihe Bridge completion and opening in the end of 2002, diverting part of the Bengbu Huaihe Bridge traffic to Chaoyanglu Huaihe Bridge, and the construction of Hexu Expressway, diverting traffic to Bengbu Huaimeng Highway, the toll revenue of our Bengbu road system has surged 44%.

Continuous economic developments have caused apparent growth in monthly ticket traffic on Hehuai Highway. The overall traffic volume and toll revenue of the project in 2003, however, has recorded a drop, mainly from long-haul traffic, in consequence of the widening works in Mengcheng to Fengtai section of the highway and the regulation to dampen overloaded traffic.

Heye Highway, a major route drawn from Hefei, the provincial capital, has recorded steady growth in traffic volume and toll revenue in 2003. With the opening of Jingzhu Expressway (Luohe to Xinyang section) in the end of 2003, we expect the project will continue its role as a major trunk route in 2004.

Guangdong Province

With strong exports and internal consumption, Guangdong acted as the locomotive of the economy of China. GDP in 2003 soared 13.6% to RMB1,345 billion whereas the growth rate of gross industrial output value hit 21.9%, record high of recent years. Automobile retail sales has risen 46.6% in the past year, raising utilization of road and highway transport in the province. The implementation of the Closer Economic Partnership Arrangement between Hong Kong and Chinese mainland (CEPA) further strengthened the economic interactions between Hong Kong and Guangdong, and the advantage of the Guangdong among all other provinces became even more distinct. The boom in commercial activities is speeding up the improvements of the highway transport network to cope with the rising demand. Mileage of newly constructed highways in 2003 amounted to 1,689 km, in which 562 km are expressways.



The Group's investment in Guangdong Province:

	Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
9.	Jihe Expressway	35,806	+22.6%	182.32	+16.1%
10.	Guangsan Expressway	27,496	-11.4%	195.31	+11.7%
11.	Luochong Highway	11,924	+6.9%	38.93	+10.0%

Growth of GDP of Shenzhen in 2003 reached 17.8%, whereas the throughput of its port has risen 30%. Car ownership of Shenzhen in 2003 has also soared at a rate of 10,000 per month on average. These favourable factors have maintained the ideal growth in traffic and toll revenue of Jihe Expressway. Looking into the future, the economic performances will continue its lead to other mainland cities, and we expect the project will benefit from it.

In accordance with the economic planning of Greater Foshan, the Foshan government cancelled a portion of toll stations and implemented the annual ticketing policy in ordinary highways, resulting in the diversion of traffic on Guangsan Expressway, shown as a drop in traffic. However, the effects of the change in vehicle categorization, implemented in September 2002, have fully surfaced in 2003, producing a growth in revenue that year.

The majority of traffic of Luochong Highway, one of the main routes connecting the Guangdong and Guangxi, is inter-provincial. Benefited from the economic growth of the two provinces and the development of the surrounding area, both traffic and toll revenue has recorded growth. We expect that the completion of the widening works of National Highway 324 (Yunfu West Section) will improve driving conditions and stimulate traffic of the project.

The group completed the transfer of its interests in the Guangdong Zhongshan Qijiang Highway project to Zhongshan Roads and Bridges Construction Company Limited under the Zhongshan government. The payment has been received in due course.

Hunan Province

Hunan's economy is in active growth in all aspects in recent years. GDP in 2003 rose 9.6% to RMB463.4 billion, the fastest growth since 1998. Total value of import and export trade reached US\$3.7 billion, a 29.9% increase. During the year, total value added of industry exceeded RMB145.0 billion, risen 12.6%. Among the main products are coal, steel, glass and automobile, whose number of production has surged 76.2% to 43.8 thousand. Highway utilization has soared with the actively growing commercial and industrial activities. Freight transport over highway soared 29.4% to 46.1 billion ton-km. As at the end of 2003, highway mileage in the province exceeded 85,200 km, in which expressway mileage has increased 216 km to 1,218 km.



The Group's investment in Hunan Province:

	Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
12.	Changyi Expressway	31,485	+4.7%	162.34	+18.5%
In	Expressway	10,564	+20.4%	122.54	+23.7%
which	Changyi old road	20,921	-1.7%	39.80	+5.0%

The Changyi Expressway project comprises the Changsha to Yiyang Expressway and National Highway 319 Changsha to Yiyang Section (Changyi old road). The expressway has contributed approximately 75% of the entire project's toll revenue.

Benefited from the province's flourishing economy, the Changyi Expressway project has recorded ideal growths in traffic volume and toll revenue in 2003. Revenue from the expressway has soared by 23.7%. Hunan has implemented more stringent policies against toll-free vehicles in mid-2003, raising the toll revenue of the project. The construction of Changde to Zhangjiajie Expressway, connecting the Changyi Expressway, has commenced construction in the second half of 2003, and is expected to open to traffic in 2005. Changde to Jishou Expressway has also been scheduled for completion in 2007. We expect the project, being a main route connecting the provincial capital and western Hunan, to maintain remarkable growth.

Shanxi Province

Since Shanxi has placed continuous efforts in economic restructuring in recent years, and its brisk pace of economic development has not been hindered even with the sudden attack of SARS in the first half of 2003. GDP in 2003 climbed at a 19-year height of 13.2% to RMB244.6 billion. The successful economic reform has brought steady development to the agricultural and industrial sectors as well as vigorous expansion on investment. Fixed assets investment achieved RMB111.6 billion, a 33% jump, the highest since 1998. As at the end of 2003, total expressway mileage of Shanxi Province exceeded 1,200 km, among the 63,121 km highway network.

The Group's investment in Shanxi Province:

	Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
13.	Dongguan Highway	4,705	-5.8%	12.79	-9.4%
14.	Taiyu Highway	16,244	-1.4%	38.21	+24.3%
15.	Yuci City Bypass	3,287	-25.0%	12.57	-5.6%
16.	Taigu Highway	8,475	+6.9%	24.59	+25.5%

Taiyu Highway being the main entrance to the Taiyuan City, its toll revenue was substantially generated from passenger cars. While Taigu Highway is an important coal transport trunk, it is under direct impact from the coal-mining industry. SARS caused a drop in the traffic volume of Taiyu Highway during the first half of 2003. Throughout the year, Taigu Highway was also impacted from various regulations applied on coal-mining industries. Both highways managed to overcome these adverse effects to maintain a rise in toll revenue, thanks to the toll rate adjustment made in August 2002.

The completion of Taiyuan-Qixian Expressway diverted the traffic of Dongguan Highway and Yuci City Bypass. The diversion effect is expected to stabilize in 2004.





Jiangsu Province

Jiangsu has been one of the fastest developing provinces in recent years. Its proximity to Shanghai lured foreign enterprises. Investment atmosphere is optimistic. GDP of the province in 2003 has reached RMB1,245.2 billion, 13.5% growth compared to the previous year. In particular, GDP of Suzhou grew 18% and reached RMB280.2 billion, industrial output value has reached RMB701.1 billion, ranked second in the country only to Shanghai. Highway infrastructure has further improved the investment environment in the province. Total highway mileage of 65,565 km was recorded at the end of 2003, in which expressway mileage has passed beyond the 2,000 km mark. Possession of civil motor vehicles grew 26.1% and reached 1.32 million, leading to soaring traffic on the entire road system.

The Group's investment in Jiangsu Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
17. Airport Highway	12,262	+59.8%	64.83	+47.8%
18. Changcao Highway	5,920	+13.9%	23.96	+7.7%

The encouraging growths in both traffic volume and toll revenue of Airport Highway in 2003 was largely owing to the rapid development in Shanghai and Suzhou, apart from other factors including the relocation of the JinjiHu toll station and diverted traffic due to the major repair works in the Nanjing-Shanghai expressway. We expect the rapid economic growth of Suzhou will create space for growth of the project.

Located in the economically advanced Suzhou-Wuxi-Changzhou area, Changcao Highway has recorded steady growth in toll revenue in 2003. The implementation of measures to regulate local vehicles has promoted the remarkable rise in traffic volume. The project has started toll calculation by weight for trucks since December 2003, obtaining satisfactory results. We expect a further increase in toll revenue from the project.



Guangxi Zhuang Autonomous Region

Riding on the opportunities of the Western China Exploitation, the speed of Guangxi's development has stepped up, thanks to its coastline acting as the gateway in the Southwestern part of China. GDP in 2003 amounted to RMB273.3 billion, a 10.2% growth compared to the previous year. Foreign import and export has risen 31.4%. This significant growth of freight volume has stimulated an upsurge on highway utilization. As at the end of 2003, highway mileage in Guangxi is over 56,000 km, in which expressways accounts for 1,000 km. The advance of transport infrastructure development has created a better space for economic development of Guangxi.



The Group's investment in Guangxi Zhuang Autonomous Region:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
19. Yulin City Ring Roads	4,568	+4.4%	15.20	+12.7%
20. Yugong Highway	7,975	+5.8%	14.44	+6.6%

Yulin projects have recorded stable growths in both traffic volume and toll revenue in 2003. The accelerated developments of western China coastal economies and the opening of Yugong Highway (Bobai to Baisha section), which increases freight transport, have added to both traffic and toll revenue of the project. We expect the traffic will rise steadily in 2004.



Henan Province

The Henan government has been trying to adjust its industrial structure in recent years, such that its industrial developments can accelerate while its agricultural advancements is maintained. GDP of the province has achieved RMB702.6 billion in 2003, a 10.5% increase, the highest growth rate since 1997. The portion of its agricultural output value has dropped slightly, while its industrial output value soared to account for more than half of total output value, reflecting its success in shifting the mode of economy. In the meantime, the service sector has further improved, enabling a large amount of Chinese or foreign renowned chain stores to invest in Henan. Automobile sales has risen 41.3%, implying increasing needs for road transport. Investments in transport infrastructure have reached RMB30.2 billion, a 19.2% growth. Newly constructed and upgraded highways exceeded 2,000 km, in which 187 km are expressways.

The Group's investment in Henan Province:

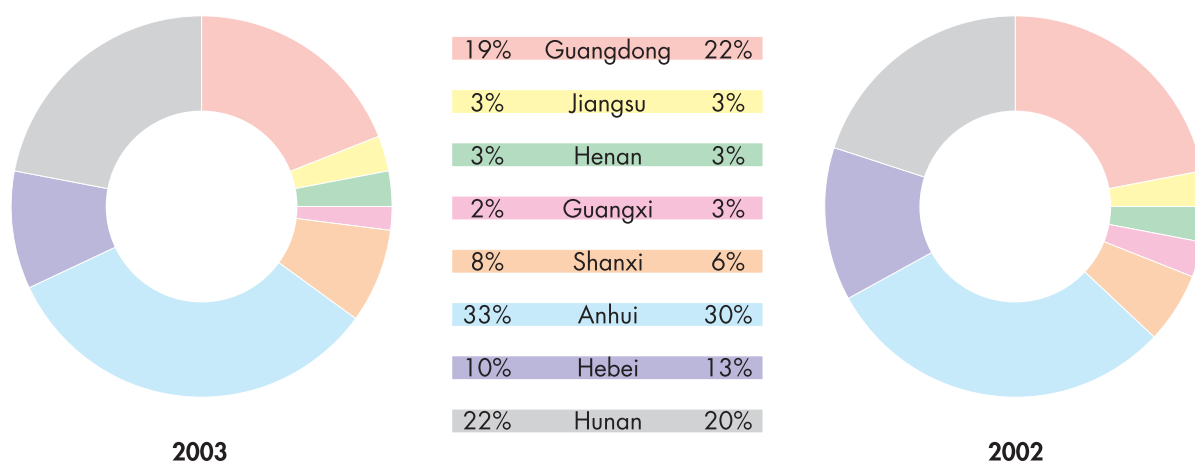
Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
21. Xunan Highway	21,520	+3.7%	147.75	+0.3%

Traffic volume on Xunan Highway was affected by the regulation to dampen overloaded traffic, resulting in some overloaded trucks choosing alternative routes, but both traffic volume and toll revenue have slightly risen owing to the toll adjustment in the year and tightened toll collection management. The parallel Xunan Expressway is due to open in 2005, the diversion effect of which, however, was already taken into consideration at the time of investment.

(A) Financial Results**Summary of Consolidated Income Statement**

HK\$ million	2003	2002	% changes
Turnover: Group and share of infrastructure joint ventures			
Toll revenue	815	748	+9%
Minimum income undertakings	14	45	-69%
Sales of goods	93	80	+16%
	922	873	+6%
Less: Share of infrastructure joint ventures' toll revenue	(803)	(709)	+13%
Turnover: Group	119	164	-27%
Net income recognised in respect of goodwill and negative goodwill	7	21	-67%
Other operating income	19	20	-5%
Cost of inventories sold	(63)	(72)	-13%
Allowance for doubtful receivables	-	(25)	N/A
Operating expenses	(83)	(95)	-13%
Share of operating profit of joint ventures	433	417	+4%
Operating profit: Group and share of joint ventures	432	430	-
Finance costs	(66)	(81)	-19%
Profit before taxation	366	349	+5%
Taxation	(42)	(30)	+40%
Minority interests	(6)	(6)	-
Profit for the year	318	313	+2%
Weighted average number of issued shares	551,738,081	513,769,004	+7%
Basic earnings per share	HK\$0.55	HK\$0.55	-
Dividend per share in respect of current year	HK25 cents	HK24 cents	+4%
HK\$ million			
Dividend in respect of current year			
Interim dividend	86	82	+5%
Proposed final dividend	59	41	+44%
Dividend on convertible preference shares	14	33	-58%

Profit Contribution by Geographic Region



Group's share of toll revenue

The Group's share of toll revenue increased by 9% mainly attributable to the increase in total traffic. Excluding the effect of the disposed Zhongshan Qijiang Highway project in 2003, the Group's share of toll revenue had increased by 13% as compared to 2002.

Minimum income undertakings

The decrease of minimum income undertakings was mainly due to the fact that some of the Group's projects had already reached the stage to recover their original investment amounts and, therefore, the provision of minimum income undertakings for some projects had been expired.

Sales of goods

The amount mainly represented sales of goods from the North American ginseng business.

Net income recognised in respect of goodwill and negative goodwill

The amount mainly represented the amortisation of negative goodwill arising from the acquisition of Chai-Na-Ta Corp. The negative goodwill is being recognised as income over three years which is the remaining weighted average useful life of the acquired non-monetary assets.

Other operating income

Other operating income mainly consisted of interest income.

Operating expenses

A saving of operating expenses was mainly attributable to cost savings following disposal of a toll road subsidiary during the year.

Share of operating profit of joint ventures

Share of joint ventures' operating profit increased by 4% mainly attributable to the increase of total traffic.

Finance costs

Finance costs mainly represented interest expense of guaranteed notes and other bank loans less interest income on repurchased portion and other finance costs in association with the financing exercise during the year. The decrease in finance costs was mainly attributable to early repayment of the Group's existing borrowings.

Taxation

Taxation mainly represented share of PRC income tax attributable to the PRC infrastructure joint ventures. Deferred tax is provided mainly on temporary differences between the carrying amounts and the corresponding tax bases of the Group's toll road operation rights in PRC and the ginseng crops of an overseas subsidiary using applicable tax rates of different jurisdictions.

(B) Cash Flow

Summary of Consolidated Cash Flow Statement

HK\$ million	2003	2002	Changes
Net cash from operating activities	50	66	(16)
Net cash (used in) from investing activities	(347)	371	(718)
Net cash used in financing activities	(248)	(300)	52
(Decrease) increase in cash and bank balances	(545)	137	(682)

Net cash from operating activities was mainly attributable to decrease of debtors, deposits and prepayments by HK\$72 million and decrease of inventories and ginseng crops by HK\$13 million but offset by the decrease of creditors and accrued charges by HK\$17 million in the current year.

Net cash (used in) from investing activities mainly comprised repayment of shareholder loans from joint ventures of HK\$490 million (last year : HK\$296 million), dividends received from joint ventures of HK\$129 million (last year: HK\$153 million), proceeds from disposal of investment in securities of HK\$83 million (last year: HK\$51 million), net proceeds on disposal of interests in subsidiaries of HK\$56 million (last year: HK\$5 million), and offset by loans to joint ventures of HK\$803 million (last year: HK\$39 million) and additional investment in joint ventures of HK\$360 million (last year: HK\$35 million).

Net cash used in financing activities principally consisted of dividend payment of HK\$142 million (last year: HK\$160 million), repayment of transferable loan certificate facility of HK\$488 million (last year: HK\$98 million), interest payment of HK\$58 million (last year: HK\$72 million), new loan raised of HK\$361 million (last year: HK\$33 million) and new shares issue of HK\$79 million (last year: nil).

Capital Commitments

As at 31 December 2003, the Group's outstanding capital commitments in respect of toll road and other projects were as follows:

	HK\$ million
Within one year	3
After the fifth year	34
	<hr/> 37

The commitments will be funded by the Group's working capital.

Contingent Liabilities

As at 31 December 2003, the Group had no contingent liabilities.

(C) Financial Position

Summary of Consolidated Balance Sheet

HK\$ million	2003	2002	Changes
ASSETS			
Property, plant and equipment	46	52	-6
Interests in infrastructure joint ventures	4,891	3,962	+929
Other non-current assets	(17)	254	-271
Current assets	908	1,458	-550
Total assets	5,828	5,726	+102
LIABILITIES			
Current liabilities	98	253	-155
Non-current liabilities	974	951	+23
Minority interests	41	82	-41
Total liabilities	1,113	1,286	-173
CAPITAL			
Shareholders' funds	4,715	4,440	+275

Property, plant and equipment mainly comprised the fixed assets of Chai-Na-Ta Corp.

Interests in infrastructure joint ventures increased to HK\$4,891 million mainly due to the additional investment in a toll road project during the year.

Other non-current assets mainly comprised negative goodwill and debtors due after one year.

Current assets mainly comprised bank balances and cash, charged deposits, receivables, inventories and ginseng crops. As at 31 December 2003, bank balances, cash and charged deposits aggregated to HK\$488 million (last year: HK\$1,088 million).

Current liabilities mainly comprised HK\$54 million of the short-term portion of the secured loans (last year: HK\$196 million) and HK\$26 million (last year: HK\$26 million) of interest payables.

Non-current liabilities comprised the long term portion of the Group's bank loans and guaranteed notes of HK\$961 million (last year: HK\$945 million).

The increase in **shareholders' funds** was attributable to the change of retained profit and new issue of ordinary shares during the year.

Capital Structure

HK\$ million	2003	2002
Shareholders' funds	4,715	4,440
Secured loans	1,015	1,141
Total capital employed	5,730	5,581
Gearing ratio	22%	26%

The reduction of the Group's gearing ratio from 26% to 22% was mainly attributable to the repayment of the transferable loan certificate facility of HK\$488 million. Following the investment in a toll highway project, bank balances had decreased to HK\$432 million (last year: HK\$974 million). The Group's net gearing ratio had then increased to 11% (last year: 1%).

Interest Coverage

HK\$ million	2003	2002
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	571	552
Finance costs	66	81
Interest coverage	8.7 times	6.8 times

Executive Directors

Mr. Zen Wei Pao, William

(aged 56, Chairman)

Mr. Zen has been the Chairman of the Company since its establishment. He is also the Chairman of Wai Kee, the biggest shareholder of the Company. Mr. Zen holds a Bachelor of Science degree in Physics and a Master of Business Administration degree. He is a member of both The Hong Kong Institution of Engineers and The Institute of Quarrying, UK. He is also an individual founder member and a fellow member of Hong Kong Institution of Highways and Transportation. He has extensive experience in civil engineering, construction material and infrastructure development in Hong Kong, Taiwan and the PRC. He is the brother of Mr. Zen Wei Peu, Derek.

Mr. Ko Yuk Bing

(aged 48, Managing Director and Chief Executive Officer)

Mr. Ko joined the Company in early 1995. Mr. Ko holds a Master of Science degree in Engineering. He is a Chartered Engineer, and is a fellow member of The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK, and The Hong Kong Institution of Engineers. He has extensive experience in infrastructure development in Hong Kong and the PRC, and has over 14 years of experience in business development and operation in the PRC.

Mr. Chan Kam Hung

(aged 45, Finance Director)

Mr. Chan has been appointed as an Executive Director of the Company since July 2002. He holds a Bachelor of Economics degree from the University of Sydney. He is a Chartered Accountant of Australia and a fellow member of The Hong Kong Society of Accountant. Mr. Chan has over 21 years of auditing, accounting and corporate management experience. Prior to joining the Company, he has held senior corporate management positions in multi-national companies and listed companies in Hong Kong.

Mr. Zen Wei Peu, Derek

(aged 51)

Mr. Zen has been a Director of the Company since its establishment. He is also the Vice Chairman of Wai Kee. He holds a Bachelor of Science degree in Civil Engineering and a Master of Business Administration degree. He is a Chartered Engineer and is a member of The Institution of Civil Engineers, UK and a fellow member of The Institution of Quarrying, UK. Mr. Zen has over 25 years of experience in civil engineering industry. He is the brother of Mr. Zen Wei Pao, William.

Mr. Fong Shiu Leung, Keter

(aged 41, Company Secretary)

Mr. Fong has been appointed as an Executive Director of the Company since July 2000. He is also an Executive Director of Wai Kee. Mr. Fong holds a Bachelor degree in Arts. He is a Certified Practising Accountant in Australia and a fellow member of The Hong Kong Society of Accountants. He has 18 years of experience in auditing, accounting and business advisory profession.

Non-Executive Directors

Mr. Hu Aimin

(aged 55)

Mr. Hu has been appointed as a Non-Executive Director of the Company since February 2004. He is the Chairman of Shum Yip Holdings Company Limited (“Shum Yip Holdings”) and Shenzhen Investment Limited (“Shenzhen Investment”). He graduated from the Hunan University, the PRC and holds a Master degree in Management Studies. Prior to joining Shum Yip Holdings in April 2003 and becoming the Chairman of Shenzhen Investment in June of the same year, he was the Chief Secretary of the Shenzhen Municipal Government and the Director of the Shenzhen Government Office, the Vice Chief Secretary of the Shenzhen Government Council, the Shenzhen Futian District Standing Committee member and Head of its Staff Department, the Director of the Hubei Province leadership science and talents research office and the Managing Vice Chief Editor of the Magazine “Leadership Works Research”. He has over 30 years of experience in administration and management.

Mr. Liu Zixian

(aged 53)

Mr. Liu has been appointed as a Non-Executive Director of the Company since February 2004. He is the President of Shum Yip Holdings and Shenzhen Investment. He graduated from the North Communications University, the PRC in 1974. Prior to joining Shum Yip Holdings in February 2001 and becoming the President of Shenzhen Investment in April of the same year, he was a Director of The Administration of Shenzhen Shatoujiao Free Trade Zone, an Assistant Director of Shenzhen Municipality Luohu district, and the Manager of the Foreign Enterprises Registering & Managing Department of Shenzhen Industry & Commerce Administrative Management Bureau. Mr. Liu has over 20 years of experience in administrative management, international economics and corporate management.

Mr. James Herbert Stewart

(aged 51)

Mr. Stewart has been appointed as a Non-Executive Director of the Company since May 2001. He is a Director of HSBC Private Equity (Asia) Limited (“HPEA”). He holds a Bachelor of Commerce degree from the University of British Columbia in Canada. He also holds qualifications from Canada as a Chartered Accountant and Chartered Insolvency Practitioner. He joined HPEA from William E. Simon & Sons (Asia) Limited (“Simon Asia”), a Hong Kong based private equity and fund management company where Mr. Stewart was an Investment Principal and Chief Financial Officer. Prior to joining Simon Asia in 1995, Mr. Stewart worked in the Corporate Financial Services Group of KPMG in Hong Kong and the Corporate Advisory Services Group of KPMG in Vancouver.

Ms. Chiang Wen Chee, Wendy

(aged 30)

Ms. Chiang is an alternate Director to Mr. James Herbert Stewart. Ms. Chiang is a Senior Manager of HPEA and holds a Bachelor of Arts degree from the University of Waterloo in Canada. She is also a member of The American Institute of Certified Public Accountants. Prior to joining HPEA, she worked in the audit division of KPMG in Hong Kong.

Independent Non-Executive Directors

Mr. Chan Hing Chiu, Vincent

(aged 68)

Mr. Chan joined the Company as an Independent Non-Executive Director in 1996. He was the Chairman of Scott Wilson Kirkpatrick (Hong Kong) Limited ("SWK") and is currently retired. He was a Partner and a Director of SWK since 1981. Mr. Chan holds a Bachelor of Science degree in Engineering and a Master of Science degree. He is a member of The Institution of Civil Engineers, UK and a fellow member of The Hong Kong Institution of Engineers.

Mr. Chow Shiu Kee, Stephen

(aged 55)

Mr. Chow joined the Company as an Independent Non-Executive Director in 1996. He holds a Bachelor of Arts degree and a Master of Law degree. He is a solicitor admitted to practice in Hong Kong, England and Wales, and Singapore, and is a partner of the solicitors firm of Messrs. Wong Poon Chan Law & Co. He is a Notary Public and a China Appointed Attesting Officer. Mr. Chow is a member of Solicitors Disciplinary Tribunal Panel, and a member of the Law Society Free Legal Advice Scheme.

Senior Management

Mr. Leung Chin Wan

(aged 49)

Mr. Leung is a General Manager of the Project Management Division. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and is a member of both The Institution of Civil Engineers, UK and The Hong Kong Institution of Engineers. He has over 25 years' experience in civil engineering industry with more than 15 years' experience in PRC project management.

Mr. Yu Kam Fat, James

(aged 48)

Mr. Yu is a General Manager of the Project Management Division. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and is a member of The Association of Professional Engineers of Ontario, Canada, The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK and The Institution of Highway and Transportation, UK and is a fellow of The Hong Kong Institution of Engineers. He is also a Registered Structural Engineer, HK and a Registered Professional Engineer, HK. He has over 24 years' experience in civil engineering industry and project management.

Senior Management (Continued)

Mr. Chan Sai Kuen, Daniel

(aged 46)

Mr. Chan is a Deputy General Manager of the Project Management Division. He holds a Bachelor of Business Administration degree in Accounting. He has over 22 years' experience in accounting and project management.

Mr. Xu De Bao

(aged 65)

Mr. Xu is a Deputy General Manager of the Project Management Division stationed in the PRC. He was the Director of a City Communications Bureau in the PRC. He has over 16 years' experience in administration, road construction and personnel management of the transportation sector in the PRC.

Mr. Lai Siu Keung

(aged 40)

Mr. Lai is a Senior Project Manager stationed in the PRC. He holds a Bachelor of Engineering (Hons) degree in Civil Engineering. He has over 20 years' experience in civil engineering industry and project management.

Mr. Chan Chun Kuen

(aged 40)

Mr. Chan is a Senior Project Manager stationed in the PRC. He holds a Bachelor of Business Administration degree and a Master of Business Administration degree. He has over 13 years' experience in accounting and project management.

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2003.

Principal Activities

The Company acts as an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the People's Republic of China ("PRC") and details of which are set out in notes 17 and 18 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 44.

An interim dividend of HK15 cents per share amounting to HK\$86,385,000 was paid to the shareholders on 21 August 2003. The convertible preference shares dividend of HK\$14,013,000 was paid during the year.

The directors recommend the payment of a final dividend of HK10 cents per share to the shareholders on the register of members on 12 May 2004 amounting to HK\$58,445,000.

Share Capital, Share Options and Warrants

Details of the movements during the year in the share capital, share options and warrants of the Company are set out in notes 25, 26 and 27 to the financial statements respectively.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 28 to the financial statements.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

Issue of Equity Securities

On 12 June 2003, all the outstanding 418,380 convertible preference shares held by Stagecoach Asia Limited were automatically converted into 48,876,168 ordinary shares of the Company at a conversion price of HK\$8.56 pursuant to a subscription agreement dated 30 April 1998 and the supplemental letter dated 5 June 1998 made between Stagecoach Group PLC (formerly known as Stagecoach Holdings PLC) and the Company.

On 28 August 2003, the Company entered into a subscription agreement with Value Partners Limited (the "Subscriber"), as fund manager, pursuant to which the Subscriber had agreed to subscribe for 2,500,000 ordinary shares of the Company at a price of HK\$4.8 per share. The purpose of the placement was to restore the public float of the Company to at least 25%. The Company used the net proceeds of HK\$12 million as general working capital.

Connected Transaction

On 11 September 2000, a revolving credit agreement (the "Revolving Credit Agreement") was entered into between More Growth Finance Limited ("More Growth"), an indirectly wholly owned subsidiary of the Company, and Chai-Na-Ta Corp. ("CNT"), an indirect subsidiary in which 78% is currently owned by the Company.

Pursuant to the Revolving Credit Agreement, More Growth agreed to provide C\$5 million (approximately HK\$25,000,000) unsecured revolving credit bearing interest at the Canadian prime rate plus 2.5% per annum. Following maturity in March 2001, this facility was further extended until March 2003. For each extension, More Growth charged an extension fee equal to 1% of the commitment amount. The purpose of the facility was to provide general working capital to CNT.

In 2002, CNT repaid C\$2 million to More Growth. On 12 March 2003, CNT fully settled C\$3 million of principal and the balance of accrued interest due to More Growth.

The above transaction was structured on normal commercial terms and was approved by the Board of Directors of the Company.

Directors and Directors' Service Contracts

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Zen Wei Pao, William (*Chairman*)

Ko Yuk Bing (*Managing Director and Chief Executive Officer*)

Chan Kam Hung (*Finance Director*)

Zen Wei Peu, Derek

Fong Shiu Leung, Keter

Non-executive directors:

Hu Aimin (appointed on 3 February 2004)

Liu Zixian (appointed on 3 February 2004)

James Herbert Stewart

Chiang Wen Chee, Wendy (alternate to James Herbert Stewart)

Wu Chang, Tom (resigned on 14 January 2003)

Bharat Parashar (ceased to act as alternate to Wu Chang, Tom on 14 January 2003)

Cheng Wai Po, Samuel (ceased to act as alternate to Brian Souter on 21 July 2003)

Brian Souter (resigned on 3 February 2004)

Ross Thomas Martin (resigned on 3 February 2004)

Martin Andrew Griffiths (ceased to act as alternate to Ross Thomas Martin on 3 February 2004)

Independent non-executive directors:

Chan Hing Chiu, Vincent

Chow Shiu Kee, Stephen

Directors and Directors' Service Contracts (Continued)

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Zen Wei Peu, Derek, Fong Shiu Leung, Keter, James Herbert Stewart, Hu Aimin and Liu Zixian shall retire by rotation and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Each of Zen Wei Pao, William and Zen Wei Peu, Derek entered into a service agreement with the Company for a term of three years commencing from 1 May 2003.

Ko Yuk Bing entered into service agreements with the Group for a term of three years commencing from 1 May 2003.

Each of Chan Kam Hung and Fong Shiu Leung, Keter entered into service agreements with the Group. The service agreements with Chan Kam Hung are for a term of three years commencing from 1 September 2002. The service agreement with Fong Shiu Leung, Keter is for a term of three years commencing from 25 July 2003.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party 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.

Disclosure of Interests

Directors' Interests and Short Positions

As at 31 December 2003, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

(I) The Company

(a) Interests in shares

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of holding
		Long position	Short position	
				(%)*
Zen Wei Pao, William	Personal	2,500,000 (<i>note 2</i>)	–	0.43
Ko Yuk Bing	Personal	550,000 (<i>note 1</i>)	–	0.09
		2,300,000 (<i>note 2</i>)	–	0.39
Chan Kam Hung	Personal	1,500,000 (<i>note 2</i>)	–	0.26
Zen Wei Peu, Derek	Personal	300,000 (<i>note 1</i>)	–	0.05
		1,300,000 (<i>note 2</i>)	–	0.22
Fong Shiu Leung, Keter	Personal	1,000,000 (<i>note 2</i>)	–	0.17
Brian Souter	Personal	250,000 (<i>note 2</i>)	–	0.04
Ross Thomas Martin	Personal	250,000 (<i>note 2</i>)	–	0.04
James Herbert Stewart	Personal	250,000 (<i>note 2</i>)	–	0.04
Chan Hing Chiu, Vincent	Personal	250,000 (<i>note 2</i>)	–	0.04
Chow Shiu Kee, Stephen	Personal	160,000 (<i>note 1</i>)	–	0.03
		250,000 (<i>note 2</i>)	–	0.04

Notes:

- 1 Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
 - 2 Long position in the underlying shares of the Company pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors or chief executives are included in this category, the particulars of which are set out in (I)(b) below.
- * As at 31 December 2003, the issued share capital of the Company is 584,136,566 shares. Accordingly, the percentage has been adjusted.

Disclosure of Interests (Continued)

Directors' Interests and Short Positions (Continued)

(I) The Company

(b) Interests in underlying shares through equity derivatives

Name of Director	Date granted	Exercisable period	Exercise price	Number of share options
			HK\$	
Zen Wei Pao, William	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,500,000
Ko Yuk Bing	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,300,000
Chan Kam Hung	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,500,000
Zen Wei Peu, Derek	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,300,000
Fong Shiu Leung, Keter	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,000,000
Brian Souter	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000
Ross Thomas Martin	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000
James Herbert Stewart	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000
Chan Hing Chiu, Vincent	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000
Chow Shiu Kee, Stephen	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000

Disclosure of Interests (Continued)

Directors' Interests and Short Positions (Continued)

(II) Details of share options

The share option scheme of the Company adopted on 3 June 1996 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 12 May 2003 to comply with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Particulars of the Company's share option schemes are set out in note 26 to the financial statements.

The total number of shares which may be issued under the New Share Option Scheme and any other schemes of the Company was 22,236,620 shares (excluding exercised, cancelled and outstanding options) representing approximately 3.80% of the issued share capital as at the date of this report.

The Directors consider that it is not appropriate to disclose the fair value of share options granted during the year ended 31 December 2003 as any valuation of the share options would be subject to a number of subjective and uncertain assumptions. The Directors believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading to shareholders.

A summary of movement during the year under the Old Share Option Scheme is as follows:

Name	Date granted	Exercisable period	Exercise price	Number of share options				
				Balance at 1.1.2003	Granted during the year	Exercised during the year**	Cancelled during the year	Balance at 31.12.2003
				HK\$				
Directors								
Zen Wei Pao, William	8 August 2000	8 August 2001 to 7 August 2003	3.20	2,900,000	—	(2,900,000)	—	—
Ko Yuk Bing	8 August 2000	8 August 2001 to 7 August 2003	3.20	2,600,000	—	(2,600,000)	—	—
Zen Wei Peu, Derek	8 August 2000	8 August 2001 to 7 August 2003	3.20	1,500,000	—	(1,500,000)	—	—
Fong Shiu Leung, Keter	8 August 2000	8 August 2001 to 7 August 2003	3.20	320,000	—	(320,000)	—	—
Brian Souter	8 August 2000	8 August 2001 to 7 August 2003	3.20	190,000	—	(190,000)	—	—
Chan Hing Chiu, Vincent	8 August 2000	8 August 2001 to 7 August 2003	3.20	320,000	—	(320,000)	—	—
Chow Shiu Kee, Stephen	8 August 2000	8 August 2001 to 7 August 2003	3.20	320,000	—	(320,000)	—	—
Chui Chi Keung, Raymond	27 November 2000	27 November 2001 to 26 November 2003	3.20	200,000	—	—	(200,000)	—
				8,350,000	—	(8,150,000)	(200,000)	—
Others								
Employees	8 August 2000	8 August, 2001 to 7 August, 2003	3.20	2,405,000	—	(2,405,000)	—	—
				2,405,000	—	(2,405,000)	—	—
				10,755,000	—	(10,555,000)	(200,000)	—

** The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$4.21.

Disclosure of Interests (Continued)

Directors' Interests and Short Positions (Continued)

(II) Details of share options

A summary of movement during the year under the New Share Option Scheme is as follows:

Name	Date granted	Exercisable period	Exercise price	Number of share options				
				Balance at 1.1.2003	Granted during the year [#]	Exercised during the year ^{**}	Cancelled during the year	Balance at 31.12.2003
			HK\$					
Directors								
Zen Wei Pao, William	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	2,500,000	—	—	2,500,000
Ko Yuk Bing	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	2,300,000	—	—	2,300,000
Chan Kam Hung	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	1,500,000	—	—	1,500,000
Zen Wei Peu, Derek	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	1,300,000	—	—	1,300,000
Fong Shiu Leung, Keter	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	1,000,000	—	—	1,000,000
Brian Souter	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	250,000	—	—	250,000
Ross Thomas Martin	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	250,000	—	—	250,000
James Herbert Stewart	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	250,000	—	—	250,000
Chan Hing Chiu, Vincent	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	250,000	—	—	250,000
Chow Shiu Kee, Stephen	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	250,000	—	—	250,000
				—	9,850,000	—	—	9,850,000
Others								
Employees	17 October 2003	17 October 2003 to 16 October 2008	5.15	—	4,870,000	(70,000)	(110,000)	4,690,000
				—	4,870,000	(70,000)	(110,000)	4,690,000
				—	14,720,000	(70,000)	(110,000)	14,540,000

The closing price of the Company's shares immediately before the date of grant was HK\$5.80.

** The weighted average closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$5.60.

Save as disclosed above, none of the Directors or chief executives or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

Save as disclosed herein, none of the Directors nor their spouse or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

Arrangements to Acquire Shares or Debentures

Other than the share option schemes as mentioned earlier, 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.

Substantial Shareholders' Interests

As at 31 December 2003, so far as is known to any Director or chief executive of the Company, the following persons (other than directors or chief executives of the Company), who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares held		Percentage of holding
		Long position	Short position	
		<i>(note 1)</i>		<i>(%)*</i>
Wai Kee Holdings Limited <i>(note A)</i>	Corporate	253,066,766	–	43.32
Wai Kee (Zens) Holding Limited <i>(note B)</i>	Corporate	253,066,766	–	43.32
Groove Trading Limited <i>(note C)</i>	Personal/Beneficiary	66,000,000	–	11.30
Wai Kee China Investments (BVI) Company Limited <i>(note C)</i>	Corporate	187,066,766	–	32.02
Wai Kee China Investments Company Limited <i>(note D)</i>	Corporate	187,066,766	–	32.02
ZWP Investments Limited <i>(note E)</i>	Personal/Beneficiary	187,066,766	–	32.02
Stagecoach Group PLC <i>(note F)</i>	Corporate	178,664,704	–	30.59
Stagecoach Asia Limited <i>(note G)</i>	Personal/Beneficiary	178,664,704	–	30.59
Value Partners Limited <i>(note H)</i>	Investment Manager	64,388,852	–	11.02
Cheah Cheng Hye	Personal	450,000	–	0.08
	Family	230,000	–	0.04
	Corporate	64,388,852	–	11.02
Chow Tai Fook Enterprises Limited	Personal/Beneficiary	46,500,000	–	7.96

Substantial Shareholders' Interests (Continued)

Notes:

- 1 Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- A Wai Kee Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Wai Kee China Investments (BVI) Company Limited, Groove Trading Limited, Wai Kee China Investments Company Limited and ZWP Investments Limited respectively.
- B Wai Kee (Zens) Holding Limited is a direct wholly owned subsidiary of Wai Kee Holdings Limited.
- C Wai Kee China Investments (BVI) Company Limited and Groove Trading Limited are direct wholly owned subsidiaries of Wai Kee (Zens) Holding Limited.
- D Wai Kee China Investments Company Limited is a direct wholly owned subsidiary of Wai Kee China Investments (BVI) Company Limited.
- E ZWP Investments Limited is a direct wholly owned subsidiary of Wai Kee China Investments Company Limited.
- F Stagecoach Group PLC is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Stagecoach Asia Limited.
- G Stagecoach Asia Limited is a direct wholly owned subsidiary of Stagecoach Group PLC.
- H Cheah Cheng Hye is deemed to be interested in the shares through his 32.2% interest in Value Partners Limited.
- * As at 31 December 2003, the issued share capital of the Company is 584,136,566 shares. Accordingly, the percentage has been adjusted.

Purchase, Sale or Redemption of the Company's Listed Securities and Secured Loans

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Details of the repurchase of certain secured loans are set out in note 29 to the financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Major Customers and Suppliers

The principal business of the Group is to invest in, develop, operate and manage toll roads and expressways in the PRC. There are no major customers and suppliers in view of the nature of the Group's business.

Code of Best Practice

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Audit Committee

Pursuant to the requirements of the Listing Rules, the Company had on 30 July 1998 established an Audit Committee comprising three members (two of them being independent non-executive directors) with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants. The Audit Committee meets twice a year to review and discuss with management and external auditors the accounting principles and policies adopted by the Group, the general scope of audit work conducted by the external auditors and the assessment of the Group's internal controls.

Practice Note 19 to the Listing Rules

In compliance with Practice Note 19 to the Listing Rules, the following information is disclosed:

1. Pursuant to part 3.3 of the Practice Note 19:
 - (a) All the Group's investments in highway projects are structured in the form of Sino-foreign co-operative joint ventures. The 42 joint ventures are regarded as infrastructure joint ventures irrespective of whether the Group's interests exceed 50% or not. The investments are in the form of both registered capital and loans. The size of loans made by the Group and by the other joint venture partner(s) to each joint venture is in proportion to the respective interests in each joint venture.
 - (b) During the year, a guarantee of HK\$30 million provided by the Group to a bank in respect of bank facilities utilised by an infrastructure joint venture was released on 28 December 2003.
 - (c) The total amount of loans to the infrastructure joint ventures is HK\$3.34 billion which exceeds 70% of the Group's net assets as at 31 December 2003. The loans are actually part of the investments and are unsecured, interest free and have no definite repayment terms.
 - (d) The loans to the infrastructure joint ventures were funded by equities raised at the listing of the Company or by borrowings or internal resources of the Group.

Practice Note 19 to the Listing Rules (Continued)

PRC Infrastructure Joint Ventures	% of interest held indirectly by the Company	Loan to joint venture	Outstanding loan to be injected
		HK\$'000	HK\$'000
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	124,677	–
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited	60%	75,663	–
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited	60%	67,252	–
Anhui Road Universe Luan Highway Development Co., Ltd.	50%	64,705	–
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	60%	65,277	–
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	60%	78,083	–
Bengbu Road King Huaimeng Highway Development Co., Ltd.	60%	57,201	–
Foshan Guangsan Special-Use Automobile Highway Co., Ltd.	35%	198,144	–
Guangxi Hengjing Highway Development Co., Ltd.	70%	61,513	18,384
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	15,793
Handan Rongguang Highway Development Co., Ltd.	70%	79,223	–
Handan Xinguang Highway Development Co., Ltd.	70%	80,474	–
Hebei Baofa Expressway Co., Ltd.	40%	54,064	–
Hebei Baofeng Expressway Co., Ltd.	40%	54,111	–
Hebei Baohui Expressway Co., Ltd.	40%	53,907	–
Hebei Baojie Expressway Co., Ltd.	40%	54,994	–
Hebei Baojin Expressway Co., Ltd.	40%	61,846	–
Hebei Baoli Expressway Co., Ltd.	40%	55,049	–
Hebei Baoming Expressway Co., Ltd.	40%	50,550	–
Hebei Baosheng Expressway Co., Ltd.	40%	54,187	–
Hebei Baoyi Expressway Co., Ltd.	40%	54,445	–
Hebei Baoyu Expressway Co., Ltd.	40%	54,703	–
Hunan Changyi (Baining) Expressway Co., Ltd.	43.17%	58,635	–
Hunan Changyi (Cangyi) Expressway Co., Ltd.	43.17%	59,832	–
Hunan Changyi (Changbai) Expressway Co., Ltd.	43.17%	59,567	–
Hunan Changyi (Hengcang) Expressway Co., Ltd.	43.17%	61,465	–
Hunan Changyi (Ningheng) Expressway Co., Ltd.	43.17%	59,510	–
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.	43.17%	47,346	–
Liuan Road Universe Liuye Highway Development Co., Ltd.	50%	68,487	–
Liuan Road Universe Pihe Bridge Development Co., Ltd.	50%	63,286	–
Luodingshi Luochong Highway Company Limited	61%	124,705	–
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	68,352	–
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd.	50%	59,025	–
Shanxi Lutong Dongguan Highway Co., Ltd.	65%	99,693	–
Shanxi Lutong Taigu Highway Co., Ltd.	60%	76,080	–
Shanxi Lutong Taiyu Highway Co., Ltd.	65%	75,938	–
Shanxi Lutong Yuci Highway Co., Ltd.	65%	60,460	–
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd.	45%	377,028	–
Shijiazhuang Luhui Road & Bridge Development Co., Ltd.	60%	85,462	–
Shijiazhuang Luxin Road & Bridge Development Co., Ltd.	60%	48,443	–
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd.	50%	120,874	–
Changzhou Wujin Road King Changcao Highway Development Co., Ltd.	60.24%	83,945	–
		3,340,001	34,177
		3,340,001	34,177

Practice Note 19 to the Listing Rules (Continued)

2. Pursuant to part 3.7.1 of Practice Note 19:

The Group has a transferable term loan facility for the amount of HK\$350 million. The facility will mature on 24 June 2007. Under the facility agreement, the single largest shareholder of the Company is required to maintain directly or indirectly not less than thirty-five per cent (35%) of each class of the issued voting share capital of the Company throughout the continuance of the facility.

3. Pursuant to part 3.10 of Practice Note 19:

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2003, is as follows:

Balance sheet	2003
	HK\$'000
Property, plant and equipment	9,331,019
Current assets	1,210,728
Current liabilities	(1,153,622)
Net current assets	57,106
Amounts due to joint venture partners	(3,600,299)
Net assets	5,787,826

Details of the Group's attributable interests in the infrastructure joint ventures are set out in note 18 to the financial statements.

4. Save as disclosed above, there is no other disclosure required to be made by the Company pursuant to Practice Note 19.

Donations

During the year, the Group made charitable and other donations amounting to HK\$544,000.

Auditors

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the Board
Zen Wei Pao, William
Chairman

Hong Kong
 26 March 2004

德勤 • 關黃陳方會計師行

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

香港中環干諾道中 111 號
永安中心 26 樓

**Deloitte
Touche
Tohmatsu****TO THE SHAREHOLDERS OF ROAD KING INFRASTRUCTURE LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 44 to 90 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 judgments 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 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 26 March 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Turnover: Group and share of infrastructure joint ventures			
Toll revenue		814,504	747,680
Minimum income undertakings		14,688	44,652
Sales of goods		92,857	80,135
		<u>922,049</u>	<u>872,467</u>
Less: Share of infrastructure joint ventures' toll revenue		(802,705)	(708,727)
Turnover: Group	4	119,344	163,740
Net income recognised in respect of goodwill and negative goodwill	14	6,823	20,768
Interest income		9,145	17,802
Other operating income		9,935	2,396
Cost of inventories sold		(62,794)	(71,762)
Allowance for doubtful receivables	6	–	(25,000)
Operating expenses		(82,967)	(95,382)
Operating (loss) profit: Group	7	(514)	12,562
Share of operating profit of joint ventures	9	432,750	416,891
Operating profit: Group and share of joint ventures		432,236	429,453
Finance costs	10	(65,933)	(80,615)
Profit before taxation		366,303	348,838
Taxation	11	(42,282)	(29,710)
Profit before minority interests		324,021	319,128
Minority interests		(5,693)	(6,320)
Profit for the year		318,328	312,808
Dividends	12	141,693	160,419
Earnings per share	13		
- Basic		HK\$0.55	HK\$0.55
- Diluted		HK\$0.55	HK\$0.55

CONSOLIDATED BALANCE SHEET

At 31 December 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
ASSETS			
Non-current assets			
Goodwill	14	1,493	1,658
Negative goodwill	14	(24,345)	(6,972)
Toll highway operation right	15	–	64,923
Property, plant and equipment	16	45,845	52,214
Interests in infrastructure joint ventures	18	4,890,950	3,962,258
Debtors – due after one year	20	5,713	167,319
Charged deposits	21	–	26,054
		<u>4,919,656</u>	<u>4,267,454</u>
Current assets			
Inventories and ginseng crops	22	146,732	128,234
Investment in securities	23	7,800	89,542
Debtors, deposits and prepayments	24	265,822	178,696
Charged deposits	21	55,797	87,834
Bank balances and cash		431,833	973,971
		<u>907,984</u>	<u>1,458,277</u>
Total assets		<u>5,827,640</u>	<u>5,725,731</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	58,414	51,601
Reserves	28	4,656,720	4,388,363
		<u>4,715,134</u>	<u>4,439,964</u>
Minority interests		<u>41,261</u>	<u>81,976</u>
Non-current liabilities			
Secured loans – due after one year	29	960,792	945,168
Deferred taxation	30	12,892	5,650
		<u>973,684</u>	<u>950,818</u>
Current liabilities			
Creditors and accrued charges	31	43,016	57,342
Secured loans – due within one year	29	54,545	195,631
		<u>97,561</u>	<u>252,973</u>
Total equity and liabilities		<u>5,827,640</u>	<u>5,725,731</u>

The financial statements on pages 44 to 90 were approved and authorised for issue by the Board of Directors on 26 March 2004 and are signed on its behalf by:

Zen Wei Pao, William
DIRECTOR

Ko Yuk Bing
DIRECTOR

BALANCE SHEET

At 31 December 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	17	3,314,247	2,511,188
Charged deposits	21	–	26,054
		<u>3,314,247</u>	<u>2,537,242</u>
Current assets			
Deposits and prepayments		407	2,234
Charged deposits	21	–	35,962
Bank balances and cash		199,833	795,123
		<u>200,240</u>	<u>833,319</u>
Total assets		<u>3,514,487</u>	<u>3,370,561</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	58,414	51,601
Reserves	28	3,454,725	3,317,906
		<u>3,513,139</u>	<u>3,369,507</u>
Current liabilities			
Accrued charges		1,348	1,054
		<u>1,348</u>	<u>1,054</u>
Total equity and liabilities		<u>3,514,487</u>	<u>3,370,561</u>

Zen Wei Pao, William
DIRECTOR

Ko Yuk Bing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003

	Share capital	Share premium	Translation reserve	Special reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2002	50,482	1,462,857	5,439	1,260,000	1,508,731	4,287,509
Exchange differences arising on translation of overseas operations and net gain not recognised in the income statement	–	–	1,261	–	–	1,261
Release on disposal of interests in subsidiaries	–	–	20	–	–	20
Shares repurchased and cancelled	(39)	(1,176)	–	–	–	(1,215)
Preference shares converted and cancelled	(10)	(97,291)	–	–	–	(97,301)
Issue of ordinary shares	1,168	96,133	–	–	–	97,301
Profit for the year	–	–	–	–	312,808	312,808
Dividends	–	–	–	–	(160,419)	(160,419)
Balance at 31 December 2002	51,601	1,460,523	6,720	1,260,000	1,661,120	4,439,964
Exchange differences arising on translation of overseas operations and net gain not recognised in the income statement	–	–	19,726	–	–	19,726
Preference shares converted and cancelled	(42)	(407,046)	–	–	–	(407,088)
Issue of ordinary shares	6,855	479,042	–	–	–	485,897
Profit for the year	–	–	–	–	318,328	318,328
Dividends	–	–	–	–	(141,693)	(141,693)
Balance at 31 December 2003	<u>58,414</u>	<u>1,532,519</u>	<u>26,446</u>	<u>1,260,000</u>	<u>1,837,755</u>	<u>4,715,134</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Operating activities			
Profit before taxation		366,303	348,838
Adjustments for			
Depreciation of property, plant and equipment		1,839	1,520
Interest income		(9,145)	(17,802)
Dividend income		(806)	–
Finance costs		65,933	80,615
Amortisation of goodwill		149	149
Negative goodwill released to income		(6,972)	(20,917)
Amortisation of toll highway operation right		1,923	5,549
Gain on disposal of interests in subsidiaries	32	(315)	(689)
Gain on disposal of interests in an infrastructure joint venture	33	(1,486)	–
(Gain) loss on disposal of investment in securities		(706)	1,201
Realised gain on investment in securities		(572)	–
Unrealised loss on investment in securities		–	117
Share of operating profit of joint ventures		(432,750)	(416,891)
Gain on disposal of property, plant and equipment		(201)	(16)
Exchange adjustment		–	8,433
Operating cash flows before movements in working capital		(16,806)	(9,893)
Decrease in inventories and ginseng crops		13,024	28,532
Decrease in debtors, deposits and prepayments		71,553	50,366
Decrease in creditors and accrued charges		(17,440)	(2,955)
Net cash from operating activities		50,331	66,050
Investing activities			
Interest received		11,207	16,692
Dividend received from listed securities		806	–
Dividends received from infrastructure joint ventures		129,455	152,712
Proceeds on disposal of investment in securities		83,020	51,186
Proceeds on disposal of interests in subsidiaries	32	55,975	5,497
Proceeds on disposal of property, plant and equipment		246	266
Purchases of property, plant and equipment		(12,725)	(5,385)
Purchases of investment in securities		–	(89,659)
Additional investments in infrastructure joint ventures		(360,122)	(35,324)
Loans to infrastructure joint ventures		(803,023)	(38,712)
Repayment of loans from infrastructure joint ventures		490,277	296,143
Decrease in charged deposits		58,091	17,985
Net cash (used in) from investing activities		(346,793)	371,401

	2003	2002
	HK\$'000	HK\$'000
Financing activities		
New bank loans raised	361,050	33,302
Repayment of transferable loan certificate	(487,500)	(97,500)
Repayment of other loans	(643)	(2,373)
Repayment of obligations under finance leases	–	(465)
Repurchase of own shares	–	(1,215)
Issue of ordinary shares	78,809	–
Interest paid	(58,181)	(71,659)
Dividends paid	(141,693)	(160,419)
	<hr/>	<hr/>
Net cash used in financing activities	(248,158)	(300,329)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(544,620)	137,122
Cash and cash equivalents at beginning of the year	973,971	836,656
Effect of foreign exchange rate changes	2,482	193
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	431,833	973,971
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Bank balances and cash	431,833	973,971
	<hr/> <hr/>	<hr/> <hr/>

1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the People’s Republic of China (the “PRC”).

2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

The financial statements are prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”), the terms of which includes the Statements of Standard Accounting Practice (“SSAP”) and interpretations, issued by the Hong Kong Society of Accountants (“HKSA”). In the current year, the Group has adopted for the first time SSAP 12 (Revised) “Income taxes” issued by the HKSA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of the standard has not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment was required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

The financial statements have been prepared in accordance with accounting principles generally acceptable in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries 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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

On acquisition or disposal, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition or date of disposal.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill (negative goodwill) represents the difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary or joint venture at the effective date of acquisition. Goodwill is recognised as an asset and is amortised using the straight line method over its estimated useful life, which is generally 3 to 20 years. Negative goodwill arising on acquisition is recognised as income on a systematic basis over the remaining weighted average useful life of the non-monetary assets acquired.

On disposal of an investment in a subsidiary or a joint venture, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in infrastructure joint ventures

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 for investment in and development, operation and management of toll roads and expressways and in which each venturer has an interest are referred to as infrastructure joint ventures.

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

Where the Group's interest in the infrastructure joint venture is such that it establishes joint control over the economic activity of the joint venture with other venturers, the Group's interests in the infrastructure joint ventures are carried at cost plus its share of post-acquisition undistributed reserves of the joint ventures in accordance with the defined cash/profit sharing ratios less any identified impairment loss and borrowing costs capitalized in accordance with the Group's accounting policy. Borrowing costs capitalised will be amortised from the date of the opening of the relevant highways and expressways over the remaining terms of the relevant joint ventures or where shorter, the useful lives of relevant highways and expressways.

Capitalisation of interest charges

Interest charges relating to funds borrowed to finance the joint venture's highway construction and development project are capitalised up to the commencement of operation of the toll highway. Interest charges capitalised will be amortised from the date of the opening of the toll highway over the remaining term of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Toll revenue, net of business tax, is recognised on a receipt basis. Minimum income undertakings are recognised when receivable in accordance with the joint venture agreements.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Toll highway operation right

Toll highway operation right is recognised as an asset and stated in the balance sheet at cost less depreciation and any identified impairment loss.

Depreciation of toll highway operation right is provided on the basis of a sinking fund calculation where annual depreciation amounts compounded at a rate of six per cent per annum will be equal to the cost of the toll highway operation right at the end of the relevant or respective joint venture period.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss.

The gain or loss arising from disposal or retirement of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation of property, plant and equipment is charged so as to write off the cost of the assets over their estimated useful lives, using the straight line method, on the following bases :

Freehold land	Nil
Land and buildings	Over the term of the lease from 20 to 25 years
Leasehold improvements	Over the term of the lease or 3 years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Plant and machinery	5% - 10%
Motor vehicles	12.5% - 25%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

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

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

Investments other than held-to-maturity debt securities are classified as other investments.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Inventories and ginseng crops

Inventories are stated at the lower of cost and net realisable value, and cost is calculated using the first-in, first-out method.

The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seeds, labour, applicable overheads and supplies. Costs are allocated each year based on the total number of acres under cultivation during the year.

Those crop costs relating to the acreage harvested and sold have been charged to the income statement as cost of inventories sold.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are 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.

All other borrowing costs are expensed in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions denominated in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

Operating leases

Rentals payable on rented land, premises and equipments under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged to the income statement as they fall due.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If 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 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.

4. TURNOVER

Turnover of the Group represents toll revenue, net of business tax, minimum income undertakings and amounts received and receivable for goods sold during the year.

In relation to a number of the Group's PRC joint ventures, the Group has obtained minimum income undertakings from the PRC joint venture partners in accordance with the relevant joint venture agreements. Any shortfall of the Group's share of the cash/profit of these PRC joint ventures below the minimum income undertakings will be borne by the PRC joint venture partners. The amount of minimum income shortfall recorded by the Group from its PRC joint venture partners for the year is HK\$14,688,000 (2002: HK\$44,652,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

5. SEGMENTAL INFORMATION

The Group's turnover and profit for the year ended 31 December 2003 by business activities and geographical markets are as follows:

By business segments:

	Toll Road	Other	Unallocated	Consolidated
	HK\$'000	Businesses* HK\$'000	HK\$'000	HK\$'000
2003				
Turnover: Group and share of infrastructure joint ventures	829,192	92,857	–	922,049
Less: Share of infrastructure joint ventures' toll revenue	(802,705)	–	–	(802,705)
Turnover: Group	<u>26,487</u>	<u>92,857</u>	<u>–</u>	<u>119,344</u>
Segment result	297	18,739	–	19,036
Net income recognised in respect of goodwill and negative goodwill	(149)	6,972	–	6,823
Interest income	1,277	236	7,632	9,145
Corporate income	–	–	6,393	6,393
Corporate expenses	–	–	(41,911)	(41,911)
Operating profit (loss): Group	<u>1,425</u>	<u>25,947</u>	<u>(27,886)</u>	<u>(514)</u>
Share of operating profit of infrastructure joint ventures	432,750	–	–	432,750
Finance costs	(10,765)	(103)	(55,065)	(65,933)
Profit before taxation	<u>423,410</u>	<u>25,844</u>	<u>(82,951)</u>	<u>366,303</u>
Taxation	(36,374)	(5,908)	–	(42,282)
Profit before minority interests	<u>387,036</u>	<u>19,936</u>	<u>(82,951)</u>	<u>324,021</u>
Minority interests	(1,453)	(4,240)	–	(5,693)
Profit for the year	<u>385,583</u>	<u>15,696</u>	<u>(82,951)</u>	<u>318,328</u>
Consolidated Balance Sheet				
Assets				
Segment assets	481,344	189,617	–	670,961
Interests in infrastructure joint ventures	4,890,950	–	–	4,890,950
Unallocated corporate assets	–	–	265,729	265,729
Total assets	<u>5,372,294</u>	<u>189,617</u>	<u>265,729</u>	<u>5,827,640</u>
Liabilities				
Segment liabilities	38,487	29,365	–	67,852
Unallocated corporate liabilities	–	–	1,003,393	1,003,393
Total liabilities	<u>38,487</u>	<u>29,365</u>	<u>1,003,393</u>	<u>1,071,245</u>
Other information				
Capital additions	1,093	10,941	691	12,725
Depreciation and amortisation	2,388	377	1,146	3,911
Other non-cash expenses	6,509	–	1,497	8,006

* Other businesses mainly include ginseng business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

5. SEGMENTAL INFORMATION (Continued)

By business segments: (Continued)

	Toll Road HK\$'000	Other Businesses* HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
2002				
Turnover: Group and share of infrastructure joint ventures	792,332	80,135	–	872,467
Less: Share of infrastructure joint ventures' toll revenue	(708,727)	–	–	(708,727)
Turnover: Group	<u>83,605</u>	<u>80,135</u>	<u>–</u>	<u>163,740</u>
Segment result	51,923	(33)	(117)	51,773
Net income recognised in respect of goodwill and negative goodwill	(149)	20,917	–	20,768
Allowance for doubtful receivables	(25,000)	–	–	(25,000)
Interest income	1,419	85	16,298	17,802
Corporate income	–	–	1,333	1,333
Corporate expenses	–	–	(54,114)	(54,114)
Operating profit: Group	<u>28,193</u>	<u>20,969</u>	<u>(36,600)</u>	<u>12,562</u>
Share of operating profit (loss) of joint ventures	417,725	(834)	–	416,891
Finance costs	(6,810)	(42)	(73,763)	(80,615)
Profit before taxation	<u>439,108</u>	<u>20,093</u>	<u>(110,363)</u>	<u>348,838</u>
Taxation	(31,370)	1,660	–	(29,710)
Profit before minority interests	<u>407,738</u>	<u>21,753</u>	<u>(110,363)</u>	<u>319,128</u>
Minority interests	(5,685)	(635)	–	(6,320)
Profit for the year	<u>402,053</u>	<u>21,118</u>	<u>(110,363)</u>	<u>312,808</u>
Consolidated Balance Sheet				
Assets				
Segment assets	586,926	169,428	–	756,354
Interests in joint ventures	3,962,258	–	–	3,962,258
Unallocated corporate assets	–	–	1,007,119	1,007,119
Total assets	<u>4,549,184</u>	<u>169,428</u>	<u>1,007,119</u>	<u>5,725,731</u>
Liabilities				
Segment liabilities	39,971	20,240	–	60,211
Unallocated corporate liabilities	–	–	1,143,580	1,143,580
Total liabilities	<u>39,971</u>	<u>20,240</u>	<u>1,143,580</u>	<u>1,203,791</u>
Other information				
Capital additions	436	2,696	2,253	5,385
Depreciation and amortisation	6,121	391	706	7,218
Other non-cash expenses	6,360	–	1,092	7,452

* Other businesses mainly include ginseng business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

5. SEGMENTAL INFORMATION (Continued)

By geographical segments:

	PRC HK\$'000	Hong Kong HK\$'000	Overseas HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
2003					
Turnover: Group and share of infrastructure joint ventures	829,192	81,381	11,476	–	922,049
Less: Share of infrastructure joint ventures' toll revenue	(802,705)	–	–	–	(802,705)
Turnover: Group	<u>26,487</u>	<u>81,381</u>	<u>11,476</u>	<u>–</u>	<u>119,344</u>
Segment result	<u>(1,023)</u>	<u>3,203</u>	<u>16,856</u>	<u>–</u>	<u>19,036</u>
Carrying amount of segment assets					
Segment assets	487,019	16,476	167,466	–	670,961
Interests in infrastructure joint ventures	4,890,950	–	–	–	4,890,950
Unallocated corporate assets	–	–	–	265,729	265,729
Total assets	<u>5,377,969</u>	<u>16,476</u>	<u>167,466</u>	<u>265,729</u>	<u>5,827,640</u>
Other information					
Capital additions	<u>1,892</u>	<u>–</u>	<u>10,142</u>	<u>691</u>	<u>12,725</u>
2002					
Turnover: Group and share of infrastructure joint ventures	792,332	76,281	3,854	–	872,467
Less: Share of infrastructure joint ventures' toll revenue	(708,727)	–	–	–	(708,727)
Turnover: Group	<u>83,605</u>	<u>76,281</u>	<u>3,854</u>	<u>–</u>	<u>163,740</u>
Segment result	<u>52,278</u>	<u>(4,816)</u>	<u>4,428</u>	<u>(117)</u>	<u>51,773</u>
Carrying amount of segment assets					
Segment assets	586,926	10,275	159,153	–	756,354
Interests in infrastructure joint ventures	3,962,258	–	–	–	3,962,258
Unallocated corporate assets	–	–	–	1,007,119	1,007,119
Total assets	<u>4,549,184</u>	<u>10,275</u>	<u>159,153</u>	<u>1,007,119</u>	<u>5,725,731</u>
Other information					
Capital additions	<u>1,552</u>	<u>–</u>	<u>1,580</u>	<u>2,253</u>	<u>5,385</u>

6. ALLOWANCE FOR DOUBTFUL RECEIVABLES

The amount recognised in the prior year represented an allowance for doubtful receivables in respect of minimum income undertakings due from the PRC joint venture partners of the Luochong Highway project.

7. OPERATING (LOSS) PROFIT: GROUP

	2003 HK\$'000	2002 HK\$'000
Operating (loss) profit has been arrived at after charging:		
Depreciation of property, plant and equipment	9,438	8,668
Less: capitalised in inventories and ginseng crops	<u>(7,599)</u>	<u>(7,148)</u>
	<u>1,839</u>	<u>1,520</u>
Amortisation of toll highway operation right	1,923	5,549
Operating lease rentals in respect of rented land, premises and equipment	8,367	7,315
Less: capitalised in inventories and ginseng crops	<u>(5,235)</u>	<u>(4,424)</u>
	<u>3,132</u>	<u>2,891</u>
Loss on disposal of investment in securities	–	1,201
Unrealised loss on investment in securities	–	117
Auditors' remuneration	1,296	1,581
Staff costs (excluding directors' emoluments)	55,944	51,596
Provident fund scheme contributions, net of forfeited contributions of HK\$17,000 (2002: HK\$308,000)	1,431	1,093
Less: capitalised in inventories and ginseng crops	<u>(22,473)</u>	<u>(18,937)</u>
Total staff costs	<u>34,902</u>	<u>33,752</u>
Exchange loss	–	2,851
and after crediting:		
Gain on disposal of interests in subsidiaries (<i>note 32</i>)	315	689
Gain on disposal of interest in an infrastructure joint venture (<i>note 33</i>)	1,486	–
Gain on disposal of property, plant and equipment	201	16
Gain on disposal of investment in securities	706	–
Realised gain on investment in securities	572	–
Dividend from listed securities	806	–
Exchange gain	<u>3,665</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' Emoluments

	2003 HK\$'000	2002 HK\$'000
Fees:		
Non-executive directors	575	740
Independent non-executive directors	490	490
	<u>1,065</u>	<u>1,230</u>
Other emoluments (executive directors):		
Salaries and other benefits	9,605	9,742
Performance related incentive payments	2,500	2,703
Retirement benefit scheme contributions	403	396
	<u>12,508</u>	<u>12,841</u>
	<u><u>13,573</u></u>	<u><u>14,071</u></u>

The emoluments paid to the directors were within the following bands:

	2003 Number of Directors	2002 Number of Directors
Nil to HK\$1,000,000	8	10
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	1	–
HK\$6,000,001 to HK\$6,500,000	–	1
	<u><u>–</u></u>	<u><u>1</u></u>

Details of share options held by individual directors at 31 December 2003 are shown in the directors' report.

Employees' Emoluments

During the year, the five highest paid individuals included three directors (2002: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2002: two) highest paid individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	3,024	3,024
Performance related incentive payments	335	480
Retirement benefit scheme contributions	293	267
	<u>3,652</u>	<u>3,771</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The emoluments were paid to the employees within the following band :

	2003 Number of employees	2002 Number of employees
HK\$1,500,001 to HK\$2,000,000	<u>2</u>	<u>2</u>

9. SHARE OF OPERATING PROFIT OF JOINT VENTURES

	2003 HK\$'000	2002 HK\$'000
Share of operating profit of infrastructure joint ventures before depreciation	566,802	539,376
Depreciation of toll highway operation rights	(134,052)	(121,651)
	<u>432,750</u>	<u>417,725</u>
Share of post-acquisition loss of a joint venture	–	(834)
	<u>432,750</u>	<u>416,891</u>

10. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on :		
Borrowings wholly repayable within five years	56,735	70,217
Add: discount on guaranteed notes	1,495	1,092
	<u>58,230</u>	<u>71,309</u>
Total borrowing costs		
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction (note 19)	6,509	6,360
Other finance costs	1,194	2,946
	<u>65,933</u>	<u>80,615</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

11. TAXATION

	2003 HK\$'000	2002 HK\$'000
Deferred taxation attributable to overseas subsidiaries (<i>note 30</i>)		
Current year	6,072	(1,259)
Attributable to a change in tax rate	(164)	(401)
	<u>5,908</u>	<u>(1,660)</u>
Share of taxation attributable to PRC infrastructure joint ventures		
Current tax	32,214	23,021
Deferred tax	4,160	8,349
	<u>42,282</u>	<u>29,710</u>

The current tax amounts represent the share of PRC income tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for temporary differences between the carrying amount of toll road operation right and the corresponding tax base used in the computation of taxable profits for the PRC infrastructure joint ventures and other temporary differences arising from overseas subsidiaries as set out in note 30.

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

The charge for the year can be reconciled to profit before taxation in the income statement as follows:

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	<u>366,303</u>	<u>348,838</u>
Tax at the domestic income tax rate of 15% (2002: 15%)	54,945	52,326
Tax effect of expenses that are not deductible in determining taxable profit	21,515	27,339
Tax effect of income that is not taxable in determining taxable profit	(12,909)	(20,966)
Effect of tax relief granted to joint ventures	(24,445)	(27,474)
Tax effect of different tax rates of joint ventures and subsidiaries operating in other jurisdictions	3,306	(1,307)
Change in income tax rate	(130)	(208)
Tax expense	<u>42,282</u>	<u>29,710</u>
Effective tax rate for the year	<u>11.5%</u>	<u>8.5%</u>

The domestic tax rate of joint ventures in the PRC is used as it is where the operation of the Group is substantially based.

12. DIVIDENDS

	2003	2002
	HK\$'000	HK\$'000
Final dividend paid in respect of 2002 of HK\$0.08 (2001: HK\$0.088) per share	41,295	45,373
Interim dividend paid in respect of 2003 of HK\$0.15 (2002: HK\$0.16) per share	86,385	82,496
	127,680	127,869
7.5% convertible cumulative preference shares dividend	14,013	32,550
	141,693	160,419

A final dividend paid in respect of 2003 of HK10 cents per share amounting to a total of HK\$58,445,000 is proposed by the Board. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2004.

The amount of the final dividend proposed has been calculated on the basis of 584,446,566 shares in issue as at 26 March 2004.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

13. EARNINGS PER SHARE

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

	2003	2002
	HK\$'000	HK\$'000
Profit for the year	318,328	312,808
Convertible cumulative preference shares dividend	(14,013)	(32,550)
Earnings for the purposes of basic and diluted earnings per share	<u>304,315</u>	<u>280,258</u>
	2003	2002
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	551,738,081	513,769,004
Effect of dilutive potential ordinary shares:		
Share options	<u>1,144,405</u>	<u>197,945</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>552,882,486</u>	<u>513,966,949</u>

The effect of convertible cumulative preference shares is excluded from the calculation of diluted earnings per share for both years since the effect will be anti-dilutive.

The effect of warrants is excluded from the calculation of diluted earnings per share for both years because the exercise price of the Company's warrants was higher than the average market price of ordinary shares for both 2002 and 2003. The Company's warrants expired on 5 September 2003.

14. GOODWILL (NEGATIVE GOODWILL)

	Goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
THE GROUP			
Gross amount			
At 1 January 2003	5,856	(62,751)	(56,895)
Additions for the year	—	(24,345)	(24,345)
Released on disposal	(2,871)	—	(2,871)
	<u>2,985</u>	<u>(87,096)</u>	<u>(84,111)</u>
At 31 December 2003	<u>2,985</u>	<u>(87,096)</u>	<u>(84,111)</u>
Amortisation			
At 1 January 2003	(4,198)	55,779	51,581
(Amortised) released for the year	(149)	6,972	6,823
Eliminated on disposal	2,855	—	2,855
	<u>(1,492)</u>	<u>62,751</u>	<u>61,259</u>
At 31 December 2003	<u>(1,492)</u>	<u>62,751</u>	<u>61,259</u>
Carrying amount			
At 31 December 2003	<u>1,493</u>	<u>(24,345)</u>	<u>(22,852)</u>
At 31 December 2002	<u>1,658</u>	<u>(6,972)</u>	<u>(5,314)</u>

Goodwill is amortised using the straight line method over its estimated useful life which ranges from 3 to 20 years.

Negative goodwill arose on the Group's acquisition of Chai-Na-Ta Corp. ("CNTC") in 2000 and the Group's conversion of 10,000,000 preferred shares of CNTC to equivalent number of common shares in 2003 and is recognised as income over 3 years, being the remaining weighted average useful life of the non-monetary assets acquired by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

15. TOLL HIGHWAY OPERATION RIGHT

	HK\$'000
THE GROUP	
Cost	
At 1 January 2003	105,330
Released on disposal	(105,330)
	<hr/>
At 31 December 2003	–
	<hr/>
Amortisation	
At 1 January 2003	40,407
Amortised for the year	1,923
Eliminated on disposal	(42,330)
	<hr/>
At 31 December 2003	–
	<hr/>
Carrying amount	
At 31 December 2003	–
	<hr/> <hr/>
At 31 December 2002	64,923
	<hr/> <hr/>

The Group had a right to operate and collect tolls from a highway situated in the PRC for a term of 20 years from the date of the business licence of a PRC subsidiary. The Group disposed of its entire interest in this PRC subsidiary during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
Cost							
At 1 January 2003	2,992	4,652	4,771	9,417	124,564	5,018	151,414
Additions	3,387	4,503	320	970	1,808	1,737	12,725
Disposals	—	(5)	(2,214)	(1,725)	(2,121)	(755)	(6,820)
Disposal of subsidiaries	—	—	—	(1,202)	(14,939)	(216)	(16,357)
Exchange adjustments	538	629	340	496	19,733	343	22,079
At 31 December 2003	6,917	9,779	3,217	7,956	129,045	6,127	163,041
Depreciation							
At 1 January 2003	—	1,503	2,628	8,456	82,847	3,766	99,200
Charge for the year	—	290	971	544	7,044	589	9,438
Eliminated on disposals	—	(5)	(2,214)	(1,722)	(2,121)	(713)	(6,775)
Eliminated on disposal of subsidiaries	—	—	—	(1,128)	—	(136)	(1,264)
Exchange adjustments	—	240	327	538	15,290	202	16,597
At 31 December 2003	—	2,028	1,712	6,688	103,060	3,708	117,196
Net book value							
At 31 December 2003	6,917	7,751	1,505	1,268	25,985	2,419	45,845
At 31 December 2002	2,992	3,149	2,143	961	41,717	1,252	52,214

The Group's land and buildings are situated

- overseas and freehold
- overseas and held under medium term leases
- in the PRC and held under medium term leases

2003 HK\$'000	2002 HK\$'000
6,917	2,992
6,879	2,227
872	922
14,668	6,141

At 31 December 2003, the Group has pledged land and buildings situated overseas with a carrying amount of HK\$13,308,000 (2002: HK\$4,904,000) to secure the Group's banking facilities.

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For the year ended 31 December 2003

17. INTERESTS IN SUBSIDIARIES

	2003	2002
	HK\$'000	HK\$'000
Unlisted shares at cost	1,388,042	1,388,042
Amounts due from subsidiaries	1,926,205	1,123,146
	<u>3,314,247</u>	<u>2,511,188</u>

The carrying value of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group at the time they became members of the Group pursuant to the Group's reorganisation in 1996.

Details of the Company's principal subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital	Proportion of nominal value of issued ordinary shares capital held by the Company		Principal activities
				Directly %	Indirectly %	
Chai-Na-Ta Corp.	Canada	Canada	C\$24,320,817	—	78	Production and sale of North American ginseng
Herb King International Limited	Barbados	#	US\$7,510,000	—	100	Investment holding
Pida Investments Limited	British Virgin Islands	#	US\$1	—	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	PRC	HK\$1,300,000,000	100	—	Investment holding
Road Rise Investments Limited	British Virgin Islands	PRC	US\$1	100	—	Investment and financial holding
Road King Infrastructure Finance (1997) Limited	British Virgin Islands	#	US\$1	100	—	Provision of financial services
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK\$2	—	100	Provision of management services

The subsidiaries of the Company are either investment or financial holding companies only and do not have any operations.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or constituted a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital outstanding at the end of the year.

18. INTERESTS IN INFRASTRUCTURE JOINT VENTURES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Cost of investments	2,015,608	1,663,429
Share of post-acquisition undistributed results	1,613,158	1,337,489
	3,628,766	3,000,918
Loans to infrastructure joint ventures	3,340,001	2,544,624
Repayment of loans from infrastructure joint ventures	(2,192,829)	(1,704,805)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction (<i>note 19</i>)	115,012	121,521
	4,890,950	3,962,258

Loans to infrastructure joint ventures are unsecured, interest free and have no fixed repayment terms.

All infrastructure joint ventures are co-operative joint ventures established in the PRC, details of which at 31 December 2003 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hefei Highway Development Co. Ltd. 安徽路宇合肥公路開發有限公司	RMB133,530,000	50% #	Construction and management of Hefei-Liuan Highway, Hefei Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited 安徽省路宇合淮公路大楊段開發有限公司	RMB90,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Dayang Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited 安徽省路宇合淮公路楊金段開發有限公司	RMB80,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Yangjin Section in Anhui, PRC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

18. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Liuan Highway Development Co. Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% #	Construction and management of Hefei-Liuan Highway, Liuan Section in Anhui, PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaihe Bridge Highway in Anhui, PRC
Bengbu Road King Huai - Meng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB68,040,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan - Mengcheng Highway in Anhui, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	60% * #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC
Foshan Guangsan Special-Use Automobile Highway Co., Ltd. 佛山廣三汽車專用公路有限公司	RMB293,364,000	35%	Construction and management of Foshan Guangzhou - Sanshui Expressway in Guangdong, PRC
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70% * #	Investment in and development, operation and management of Yulin - Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,400	70% * #	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC

18. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70% * #	Construction and management of National Highway 309, Handan-Feixiang Highway (Hanfei Section) in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70% * #	Construction and management of National Highway 309, Feixiang-Guantao Highway (Feiguan Section) in Hebei, PRC
Hebei Baofa Expressway Co., Ltd 河北保發高速公路有限公司	RMB38,515,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong) in Hebei, PRC
Hebei Baofeng Expressway Co., Ltd 河北保豐高速公路有限公司	RMB38,280,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rongcheng - Xiongxian) in Hebei, PRC
Hebei Baohui Expressway Co., Ltd 河北保惠高速公路有限公司	RMB38,403,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong) in Hebei, PRC
Hebei Baojie Expressway Co., Ltd 河北保捷高速公路有限公司	RMB38,905,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian - Bazhou) in Hebei, PRC
Hebei Baojin Expressway Co., Ltd 河北保津高速公路有限公司	RMB38,737,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xushui - Rongcheng) in Hebei, PRC

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For the year ended 31 December 2003

18. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baoli Expressway Co., Ltd 河北保利高速公路有限公司	RMB38,944,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Dong) in Hebei, PRC
Hebei Baoming Expressway Co., Ltd 河北保明高速公路有限公司	RMB36,012,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou - Tianjinjie) in Hebei, PRC
Hebei Baosheng Expressway Co., Ltd 河北保昇高速公路有限公司	RMB38,603,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Xi) in Hebei, PRC
Hebei Baoyi Expressway Co., Ltd 河北保怡高速公路有限公司	RMB38,630,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng) in Hebei, PRC
Hebei Baoyu Expressway Co., Ltd 河北保裕高速公路有限公司	RMB38,971,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhouxi) in Hebei, PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,012,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, PRC

18. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi (Changbai) Expressway Co., Ltd. 湖南長益(長白)高速公路有限公司	RMB98,554,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengchang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,000	43.17%#	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengchang Section) in Hunan, PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益(寧衡)高速公路有限公司	RMB98,458,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益(資江二橋)高速公路有限公司	RMB78,328,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50% #	Construction and management of Liuan-Yeji Highway (Western Section) in Anhui, PRC
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淝河大橋開發有限公司	RMB90,364,000	50% #	Construction and management of Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Company Limited 羅定市羅沖一級公路有限公司	RMB96,800,000	61% * #	Construction and management of National Highway 324 Luoding-Chonghua Highway in Guangdong, PRC

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For the year ended 31 December 2003

18. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路(襄城段)開發有限公司	RMB73,400,000	50% #	Investment in and development, operation and management of National Highway 311 & Provincial Highway 01 Xuchang-Nanyang Highway, Xiangcheng Section in Henan, PRC
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路(葉縣段)開發有限公司	RMB63,400,000	50% #	Investment in and development, operation and management of Provincial Highway 01 Xuchang-Nanyang Highway, Yexian Section in Henan, PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% * #	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway in Shanxi, PRC
Shanxi Lutong Taigu Highway Co., Ltd. 山西路通太古公路有限公司	RMB90,480,000	60% * #	Construction and management of Provincial Highway 104 Taiyuan Ximing-Gujiao Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% * #	Construction and management of Taiyuan-Yuci Highway in Shanxi, PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,412,000	65% * #	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC
Shenzhen Airport - Heao Expressway (Eastern Section) Co., Ltd. 深圳機荷高速公路東段有限公司	RMB440,000,000	45%	Construction and management of Shenzhen Airport-Heao Expressway Eastern Section in Guangdong, PRC

18. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shijiazhuang Luhui Road & Bridge Development Co., Ltd. 石家莊路輝道橋開發有限公司	RMB88,000,000	60% * #	Construction and management of National Highway 307, Shijiazhuang-Gaocheng Highway in Hebei, PRC
Shijiazhuang Luxin Road & Bridge Development Co., Ltd. 石家莊路信道橋開發有限公司	RMB44,000,000	60% * #	Construction and management of National Highway 307, Gaocheng-Jinzhou Highway in Hebei, PRC
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd. 蘇州路勁蘇滬機場路發展有限公司	RMB130,000,000	50%	Construction and management of Provincial Highway 343 Suzhou-Shanghai Airport Highway in Jiangsu, PRC
Changzhou Wujin Road King Changcao Highway Development Co., Ltd. 常州武進路勁常漕公路開發有限公司	RMB100,000,000	60.24%*	Construction and management of Provincial Highway 232 Changzhou-Caoqiao Highway in Jiangsu, PRC

* The Group does not have effective control over these companies, and accordingly, these companies have not been accounted for as subsidiaries.

The profit/cash sharing ratios in these infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is usually entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Until such time as specified in the joint venture agreements, the other venturers of the joint ventures may be entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them over a specific period of time under the joint venture agreements. Thereafter, the profit sharing ratios of the Group may be the same as the proportion of the registered capital held by the Group or in accordance with a predetermined ratio stipulated in the joint venture agreements.

NOTES TO THE FINANCIAL STATEMENTS

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18. INTERESTS IN INFRASTRUCTURE JOINT VENTURES (Continued)

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2003 is as follows:

	2003 HK\$'000	2002 HK\$'000
Income statement		
Net toll revenue	<u>1,267,740</u>	<u>1,083,024</u>
Depreciation charges	<u>283,834</u>	<u>268,594</u>
Profit before taxation	<u>653,366</u>	<u>536,617</u>
Group's share of profit before taxation less losses	<u>432,750</u>	<u>417,725</u>
	2003 HK\$'000	2002 HK\$'000
Balance sheet		
Property, plant and equipment	<u>9,331,019</u>	<u>7,382,083</u>
Other non-current assets	<u>–</u>	<u>39</u>
Current assets	<u>1,210,728</u>	230,241
Current liabilities	<u>(1,153,622)</u>	<u>(295,349)</u>
Net current assets (liabilities)	<u>57,106</u>	<u>(65,108)</u>
Amounts due to joint venture partners	<u>(3,600,299)</u>	<u>(2,767,240)</u>
Net assets	<u>5,787,826</u>	<u>4,549,774</u>

19. NET BORROWING COSTS CAPITALISED ON FINANCING THE INFRASTRUCTURE JOINT VENTURES' TOLL HIGHWAYS AND EXPRESSWAYS CONSTRUCTION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Gross amount		
At 1 January	154,729	153,896
Additions	—	833
	154,729	154,729
Amortisation		
At 1 January	33,208	26,848
Charge for the year	6,509	6,360
	39,717	33,208
Carrying amount		
At 31 December	115,012	121,521

20. DEBTORS - DUE AFTER ONE YEAR

The amounts represent minimum income undertakings guaranteed by the PRC joint venture partners due in 2005 in accordance with the terms of the relevant joint venture agreements.

21. CHARGED DEPOSITS

THE GROUP

The amounts were deposited in several designated banks and are maintained in accordance with the terms and conditions of the Group's financing agreements. These bank balances are charged in favour of several banks and part of the deposits will be applied towards the debt repayments, the manner of which is contained in the relevant financing agreements.

At 31 December 2003, bank balances of HK\$55,797,000 (2002: HK\$87,834,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

THE COMPANY

At 31 December 2002, bank balances of HK\$35,962,000 are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

22. INVENTORIES AND GINSENG CROPS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
At cost:		
Inventories	53,341	40,415
Ginseng crops	93,391	87,819
	<u>146,732</u>	<u>128,234</u>

Ginseng plants reach maturity and normally can be harvested at the end of their third year of growth. However, the Group may allow crops to mature longer to allow for higher yields and additional seed harvests.

23. INVESTMENT IN SECURITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Debt securities, unlisted overseas	–	81,742
Other investments, unlisted	7,800	7,800
	<u>7,800</u>	<u>89,542</u>

24. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of HK\$218,861,000 (2002: HK\$157,321,000) representing minimum income undertakings due from the PRC joint venture partners.

Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to the schedule agreed with the relevant PRC joint venture partners.

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Aging analysis of debtors		
Within 60 days	185,930	684
More than 90 days	64,851	157,321
	<u>250,781</u>	<u>158,005</u>
Interest receivable	184	2,246
Deposits and prepayments	14,857	18,445
	<u>265,822</u>	<u>178,696</u>

25. SHARE CAPITAL

	2003 Number of shares	2002 Number of shares	2003 HK\$'000	2002 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	20,000,000,000	2,000,000	2,000,000
7.5% convertible preference shares ("CP Shares") of HK\$0.1 each	518,380	518,380	52	52
Issued and fully paid:				
Ordinary shares				
At 1 January	515,601,209	504,307,967	51,559	50,430
Shares issued	68,535,357	11,682,242	6,855	1,168
Shares repurchased and cancelled	–	(389,000)	–	(39)
At 31 December	584,136,566	515,601,209	58,414	51,559
CP Shares				
At 1 January	418,380	518,380	42	52
Shares converted and cancelled	(418,380)	(100,000)	(42)	(10)
At 31 December	–	418,380	–	42
Total issued and fully paid shares at 31 December	584,136,566	516,019,589	58,414	51,601

On 12 June 2003, all the outstanding 418,380 CP Shares were automatically converted into ordinary shares according to the terms of the Preference Shares. Following the conversion, these 418,380 CP Shares were cancelled and 48,876,168 ordinary shares were issued at a conversion price of HK\$8.56.

On 28 August 2003, the Company entered into a subscription agreement with Value Partners Limited (the "Subscriber"), as fund manager, pursuant to which the Subscriber agreed to subscribe for 2,500,000 ordinary shares of the Company at a price of HK\$4.8 per share. The purpose of the placement was to restore the public float of the Company to the minimum requirement of 25%. The Company used the net proceeds of HK\$12,000,000 as general working capital.

As a result of the exercise of the Company's share options and warrants, 10,625,000 and 6,534,189 ordinary shares were issued by the Company as detailed in note 26 and 27 respectively.

26. SHARE OPTION SCHEME

The Old Share Option Scheme of the Company adopted on 3 June 1996 was terminated and the New Share Option Scheme was adopted by the Company at the annual general meeting held on 12 May 2003 to comply with Chapter 17 of the Listing Rules. As a result, no further options were granted under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme remain in full force and effect. During the year, 10,555,000 (2002: Nil) share options granted under the Old Share Option Scheme were exercised, 200,000 (2002: 580,000) share options were cancelled, no (2002: 4,808,000) share options expired and no share options granted under the Old Share Option Scheme remained outstanding.

The purpose of the New Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage those participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The participants include any full-time employees, executives or officers and directors (executive and non-executive directors) of the Company or any of its subsidiaries.

The total number of shares which may be issued under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the New Share Option Scheme less the aggregate of exercised, cancelled and outstanding options. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by shareholders.

The option period commences on the commencement date (the date upon which the options are deemed to be granted and accepted) of such options and ends on the fifth anniversary of the commencement date. Each participant must pay HK\$1 as consideration for the grant of options within 28 days from the date of offer.

The exercise price shall be determined by the Board, being not 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; (b) the average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the shares.

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 12 May 2003.

During the year, 14,720,000 share options were granted under the New Share Option Scheme to directors and employees for an aggregate consideration of HK\$65. No charge was recognised in the income statement in respect of the value of share options granted. Under the New Share Option Scheme, 70,000 share options were exercised and 110,000 share options were cancelled during the year and 14,540,000 share options remained outstanding as at 31 December 2003.

26. SHARE OPTION SCHEME (Continued)

The following tables disclose details of the Company's share options held by directors and employees and movements in such holdings during the year.

2003

Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 31.12.2003
			Balance at 1.1.2003	Granted during the year	Exercised during the year	Cancelled during the year	
		HK\$					
Directors							
8 August 2000	8 August 2001 to 7 August 2003	3.20	8,150,000	—	(8,150,000)	—	—
27 November 2000	27 November 2001 to 26 November 2003	3.20	200,000	—	—	(200,000)	—
17 October 2003	17 October 2003 to 16 October 2008	5.15	—	9,850,000	—	—	9,850,000
			8,350,000	9,850,000	(8,150,000)	(200,000)	9,850,000
Employees							
8 August 2000	8 August 2001 to 7 August 2003	3.20	2,405,000	—	(2,405,000)	—	—
17 October 2003	17 October 2003 to 16 October 2008	5.15	—	4,870,000	(70,000)	(110,000)	4,690,000
			2,405,000	4,870,000	(2,475,000)	(110,000)	4,690,000
			10,755,000	14,720,000	(10,625,000)	(310,000)	14,540,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

26. SHARE OPTION SCHEME (Continued)

2002

Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 31.12.2002
			Balance at 1.1.2002	Granted during the year	Exercised during the year	Expired/cancelled during the year	
		HK\$					
Directors							
2 August 1999	2 August 2000 to 1 August 2002	5.60	2,263,000	—	—	(2,263,000)	—
2 August 1999	2 August 2000 to 1 August 2002	4.95	1,700,000	—	—	(1,700,000)	—
8 August 2000	8 August 2001 to 7 August 2003	3.20	8,340,000	—	—	(190,000)	8,150,000
27 November 2000	27 November 2001 to 26 November 2003	3.20	200,000	—	—	—	200,000
			<u>12,503,000</u>	<u>—</u>	<u>—</u>	<u>(4,153,000)</u>	<u>8,350,000</u>
Employees							
2 August 1999	2 August 2000 to 1 August 2002	5.60	170,000	—	—	(170,000)	—
2 August 1999	2 August 2000 to 1 August 2002	4.95	675,000	—	—	(675,000)	—
8 August 2000	8 August 2001 to 7 August 2003	3.20	2,795,000	—	—	(390,000)	2,405,000
			<u>3,640,000</u>	<u>—</u>	<u>—</u>	<u>(1,235,000)</u>	<u>2,405,000</u>
			<u>16,143,000</u>	<u>—</u>	<u>—</u>	<u>(5,388,000)</u>	<u>10,755,000</u>

27. WARRANTS

During 2000, a bonus issue of warrants was made on the basis of one warrant for every five ordinary shares held on 6 September 2000. Each warrant carries an entitlement to subscribe in cash at a price of HK\$5.00 (subject to adjustment) for one ordinary share of the Company, at any time from 6 March 2001 to 5 September 2003 (both days inclusive). During 2003, 6,534,189 warrants were exercised and all remaining warrants expired at the close of 5 September 2003.

At 31 December 2003, the Company had no (2002: 101,231,393) outstanding warrants.

28. RESERVES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share premium				
At 1 January	1,460,523	1,462,857	1,460,523	1,462,857
Shares repurchased and cancelled	–	(1,176)	–	(1,176)
Preference shares converted and cancelled	(407,046)	(97,291)	(407,046)	(97,291)
Issue of ordinary shares	479,042	96,133	479,042	96,133
At 31 December	<u>1,532,519</u>	<u>1,460,523</u>	<u>1,532,519</u>	<u>1,460,523</u>
Translation reserve				
At 1 January	6,720	5,439	–	–
Exchange differences arising on translation of overseas operations	19,726	1,261	–	–
Release on disposal of subsidiaries	–	20	–	–
At 31 December	<u>26,446</u>	<u>6,720</u>	<u>–</u>	<u>–</u>
Contributed surplus				
At 1 January and 31 December	–	–	1,348,042	1,348,042
Special reserve				
At 1 January and 31 December	<u>1,260,000</u>	<u>1,260,000</u>	<u>–</u>	<u>–</u>
Retained profits				
At 1 January	1,661,120	1,508,731	509,341	598,447
Profit for the year	318,328	312,808	206,516	71,313
Dividends (<i>note 12</i>)	(141,693)	(160,419)	(141,693)	(160,419)
At 31 December	<u>1,837,755</u>	<u>1,661,120</u>	<u>574,164</u>	<u>509,341</u>
Total reserves	<u>4,656,720</u>	<u>4,388,363</u>	<u>3,454,725</u>	<u>3,317,906</u>

Special reserve arising on a group reorganisation represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Road King (China) Infrastructure Limited, which was acquired by the Company pursuant to the group reorganisation.

The contributed surplus of the Company represents the differences between the consolidated shareholders' funds of Road King (China) Infrastructure Limited at the date on which the Group reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

28. RESERVES (Continued)

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2003 and 2002 were as follows:

	2003	2002
	HK\$'000	HK\$'000
Contributed surplus	1,348,042	1,348,042
Retained profits	574,164	509,341
	1,922,206	1,857,383
Proposed dividend	58,445	41,248

29. SECURED LOANS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Guaranteed notes (<i>note i</i>)	1,091,122	1,089,627
Repurchase of guaranteed notes	(469,440)	(469,440)
	621,682	620,187
Bank loans (<i>note ii</i>)	392,911	519,850
Other loans	744	762
	1,015,337	1,140,799

29. SECURED LOANS (Continued)

The maturity of the above loans is as follows:

	2003	2002
	HK\$'000	HK\$'000
Within one year	54,545	195,631
More than one year but not exceeding two years	100,494	292,631
More than two years but not exceeding five years	860,298	652,537
	<hr/>	<hr/>
Total	1,015,337	1,140,799
Less: Amount due within one year shown under current liabilities	(54,545)	(195,631)
	<hr/>	<hr/>
Amount due after one year	960,792	945,168
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The guaranteed notes bear interest at a fixed rate of 9.5% per annum and will mature in July 2007.
- (ii) Interest rates on the bank loans are floating and determined with reference to either HIBOR or LIBOR.

The guaranteed notes are secured by a floating charge over all the assets of a subsidiary including a charge over deposits and are jointly and severally guaranteed by the Company and certain of its subsidiaries. The bank loans are guaranteed either by the Company and/or certain of its subsidiaries. A transferable loan certificate facility of US\$75 million was secured by a mortgage over the shares of certain of the Company's subsidiaries and was fully repaid in February 2003. Certain of the bank loans are also secured by charges over deposits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

30. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior year:

THE GROUP

	Accelerated tax depreciation	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	294	(3,867)	10,748	7,175
(Credit) charge for the year	(399)	1,387	(2,247)	(1,259)
Effect in change in tax rate				
- (credit) charge to income statement	(16)	169	(554)	(401)
Exchange adjustments	6	(79)	208	135
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 1 January 2003	(115)	(2,390)	8,155	5,650
(Credit) charge for the year	(640)	1,204	5,508	6,072
Effect in change in tax rate				
- charge (credit) to income statement	3	70	(237)	(164)
Exchange adjustments	(21)	(430)	1,785	1,334
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2003	<u>(773)</u>	<u>(1,546)</u>	<u>15,211</u>	<u>12,892</u>

At 31 December 2003, the Group has unused tax losses of HK\$11,505,000 (2002: HK\$15,241,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$10,174,000 (2002: HK\$13,910,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$1,331,000 (2002: HK\$1,331,000) due to the unpredictability of future taxable profit streams. All losses may be carried forward indefinitely. Other temporary differences mainly represent the crop costs capitalized in inventory and ginseng crops.

31. CREDITORS AND ACCRUED CHARGES

THE GROUP

	2003 HK\$'000	2002 HK\$'000
Aging analysis of creditors:		
Within 60 days	2,973	10,739
60 - 90 days	-	212
	<u> </u>	<u> </u>
Interest payable	26,013	26,266
Accrued charges	14,030	20,125
	<u> </u>	<u> </u>
	<u>43,016</u>	<u>57,342</u>

32. DISPOSAL OF INTEREST IN A SUBSIDIARY

The Group disposed of its entire interest in Zhongshan Qijiang Highway Company Limited during the year which had the following effects:

	HK\$'000
Net assets disposed of:	
Toll highway operation right	63,000
Property, plant and equipment	15,093
Debtors, deposits and prepayments	8,630
Bank balances and cash	4,137
Creditors and accrued charges	(9,460)
Minority interests	(20,223)
	61,177
Goodwill released	16
	61,193
Net consideration	61,508
Gain on disposal of interest in a subsidiary	315
Net cash inflow arising from disposal:	
Cash consideration	63,492
Withholding tax paid	(3,380)
Bank and cash balances disposed of	(4,137)
	55,975
Satisfied by:	
Cash	63,492
Consideration receivable	1,490
Expenses incurred in respect of the disposal	(3,474)
Net consideration	61,508

During the year, the disposed subsidiary contributed HK\$12 million to the Group's turnover, HK\$6 million to the Group's profit from operations and HK\$13 million to the Group's net operating cash flow and used HK\$5 million in respect of its financing activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

33. DISPOSAL OF INTEREST IN AN INFRASTRUCTURE JOINT VENTURE

The Group's disposal of its interest in an infrastructure joint venture during the year had the following effects:

	HK\$'000
Interests in infrastructure joint ventures	
Cost of investments	7,943
Share of post-acquisition undistributed results	226
Loans to infrastructure joint ventures	7,646
Repayment of loans from infrastructure joint venture	<u>(2,253)</u>
	13,562
Consideration receivable	15,243
Withholding tax paid	<u>(195)</u>
	1,486

During the year, the disposed infrastructure joint venture did not make any contribution to the Group's net operating cash flow, turnover and profit attributable to shareholders.

34. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees including directors. The assets of the scheme are held separately from those of the Group in funds under the control of the independent trustee. Both the Group and the employees contribute a fixed percent to the Scheme based on their monthly salary in accordance with government regulations.

The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme. Where there are employees who leave the Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There were no forfeited contributions available to reduce future contributions at the balance sheet date.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiary is required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement scheme is to make the specified contributions.

35. OPERATING LEASE COMMITMENT

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	7,854	6,884
In the second to fifth year inclusive	12,799	11,097
	<hr/> 20,653 <hr/>	<hr/> 17,981 <hr/>

The commitments represent rentals payable by the Group for its offices and agricultural land use rights with the lease periods ranging from two to five years.

At 31 December 2003 and 2002, the Company had no operating lease commitments.

36. CAPITAL COMMITMENT

At the balance sheet date, the Group had material capital commitment as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for		
Investment loan to be injected into a subsidiary	–	7,937
Investment cost to be injected into a subsidiary	2,550	–
	<hr/> 2,550 <hr/>	<hr/> 7,937 <hr/>
Investment costs to be injected into infrastructure joint ventures		
Within one year	–	2,622
After the fifth year	34,177	34,177
	<hr/> 34,177 <hr/>	<hr/> 36,799 <hr/>
	<hr/> 36,727 <hr/>	<hr/> 44,736 <hr/>
Authorized but not contracted for		
Investment costs to be injected into an infrastructure joint venture		
Within one year	–	993,700
	<hr/> – <hr/>	<hr/> 993,700 <hr/>

At 31 December 2003 and 2002, the Company had no capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

37. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities arising from its interests in joint ventures:

	2003 HK\$'000	2002 HK\$'000
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	<u>—</u>	<u>116,775</u>

At the balance sheet date, the Company also provided guarantees of HK\$1,474,350,000 (2002: HK\$1,611,850,000) in respect of guaranteed notes and bank loans raised by its subsidiaries.

38. POST BALANCE SHEET EVENT

In March 2004, the Group signed a conditional agreement with a PRC partner to acquire 45% of toll collection and operation right in Tangshan-Tianjin Expressway in Hebei Province. The transfer application was submitted to relevant government authorities for approval.

RESULTS

	For the Year Ended 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover: Group and share of infrastructure joint ventures					
Toll revenue	814,504	747,680	733,361	725,430	659,052
Minimum income undertakings	14,688	44,652	137,492	222,288	216,133
Sales of goods	92,857	80,135	75,564	25,408	–
	922,049	872,467	946,417	973,126	875,185
Less: Share of infrastructure joint ventures' toll revenue	(802,705)	(708,727)	(700,916)	(697,352)	(632,035)
Turnover: Group	119,344	163,740	245,501	275,774	243,150
Net income recognised in respect of goodwill and negative goodwill	6,823	20,768	18,627	12,186	–
Gain on disposal of interests in infrastructure joint ventures	–	–	34,033	–	211,751
Gain recognised on repurchase of secured loans	–	–	–	–	5,935
Other operating income	19,080	20,198	18,380	26,264	34,548
Cost of inventories sold	(62,794)	(71,762)	(63,736)	(22,126)	–
Allowance for doubtful receivables	–	(25,000)	(125,765)	–	(19,383)
Operating expenses	(82,967)	(95,382)	(116,925)	(115,414)	(87,765)
Operating (loss) profit: Group	(514)	12,562	10,115	176,684	388,236
Share of operating profit of joint ventures	432,750	416,891	398,838	403,462	370,679
Operating profit: Group and share of joint ventures	432,236	429,453	408,953	580,146	758,915
Finance costs	(65,933)	(80,615)	(111,290)	(130,725)	(133,398)
Profit before taxation	366,303	348,838	297,663	449,421	625,517
Taxation	(42,282)	(29,710)	(56,665)	(21,346)	(11,178)
Profit before minority interests	324,021	319,128	240,998	428,075	614,339
Minority interests	(5,693)	(6,320)	(204)	24	(4,006)
Profit for the year	318,328	312,808	240,794	428,099	610,333

FINANCIAL SUMMARY

For the year ended 31 December 2003

ASSETS AND LIABILITIES

	As at 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Total assets	5,827,640	5,725,731	5,625,733	5,728,369	5,698,294
Total liabilities	(1,071,245)	(1,203,791)	(1,257,439)	(1,475,404)	(1,611,372)
Minority interests	(41,261)	(81,976)	(80,785)	(84,776)	(19,969)
Shareholders' funds	<u>4,715,134</u>	<u>4,439,964</u>	<u>4,287,509</u>	<u>4,168,189</u>	<u>4,066,953</u>

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Ballroom B, 2nd Floor, Langham Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 12 May 2004 at 3:30 p.m. to transact the following businesses:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2003.
2. To declare a final dividend for the year ended 31 December 2003.
3. To elect Directors and to authorise the Board of Directors to fix their remuneration.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

ORDINARY RESOLUTIONS

As special business, to consider and, if thought fit, pass the following resolutions:

5(A). **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional ordinary shares in the capital of the Company and to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into ordinary shares of the Company, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into ordinary shares of the Company, which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of ordinary shares or rights to subscribe for ordinary shares in the Company; or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of ordinary shares in the Company in lieu of the whole or part of a dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of passing this Resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of this Resolution by an ordinary resolution in general meeting of the Company.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People’s Republic of China).”

5(B). **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of this Resolution by an ordinary resolution in general meeting of the Company.”

- 5(C). **“THAT** conditional upon the Ordinary Resolutions Nos. 5(A) and 5(B) as set out in the notice convening this Meeting being passed, the general mandate granted to the Directors to allot, issue and deal with additional ordinary shares pursuant to Ordinary Resolution No. 5(A) above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the ordinary share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5(B) above provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of passing this Resolution.”
6. **“THAT** the existing scheme mandate limit under the share option scheme of the Company adopted by a resolution of the shareholders of the Company dated 12th May, 2003 (the “Existing Share Option Scheme”) be refreshed so that the aggregate nominal amount of share capital of the Company to be allotted and issued pursuant to the grant or exercise of the options under the Existing Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Existing Share Option Scheme) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution (“Refreshed Limit”) and that the Directors be and are hereby authorised, subject to compliance with the Rules Governing the Listing of Securities on the Stock Exchange, to grant options under the Existing Share Option Scheme up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options.”

SPECIAL RESOLUTIONS

7. **“THAT** the Bye-laws of the Company be and is hereby amended as follows:
- (i) By adding the following definition after the definition of “Act” but before the definition of “Auditor”:
- ““Associate” the meaning attributed to it in the rules of the Designated Stock Exchange;”
- (ii) By deleting the definition of the “Clearing House” and replacing it with the following:
- ““Clearing House” a clearing house as recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction (where applicable).”
- (iii) By adding the following wording into Bye-law 2(e), after the words “in a visible form”:
- “, including in the form of electronic display, provided that both the mode of service of the relevant document or notice and the Members’ election (where applicable) comply with all applicable Statutes, rules and regulations.”
- (iv) By adding the following Bye-law 2(k) immediately after Bye-law 2(j):
- “(k) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other legally acceptable method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.”

- (v) By adding the following wordings into Bye-law 43(1)(a) immediately after the words “class of shares held by him and” and before the words “the amount paid or agreed to be considered as paid on such shares;”:

“, in respect of any shares that are not fully paid,”

- (vi) By adding the wordings “in a form prescribed by the Designated Stock Exchange” into Bye-law 46, immediately after the words “in the usual common form or” and before the words “in any other form approved by the Board”.

- (vii) By amending the reference of the existing Bye-law 76 to Bye-law 76(1) and adding the following new Bye-law 76(2) immediately after Bye-law 76(1):

“Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

- (viii) By deleting the word “special” in the second line in Bye-law 86(4) and replacing the word “ordinary”.

- (ix) By deleting the existing Bye-law 88 in its entirety and replacing with the following new Bye-law 88:



“No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as Director at any general meeting unless a Notice signed by a Member (other than the person to be processed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such Notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

- (x) By deleting the words “whereupon the Board resolves to accept such resignation” in Bye-law 89(1).

- (xi) By deleting the existing Bye-law 103 in its entirety and replacing with the following new Bye-law 103:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;

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- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
 - (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Director or his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s) as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has/have no beneficial interest, any shares comprised in a trust in which the interests of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
 - (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”
- (xii) By adding the number “(1)” immediately in front of the words “The Company shall be entitled to destroy the following documents” in Bye-law 136:
- “(2) Notwithstanding any provision contained in these Bye-laws, the Directors may if permitted by applicable law, authorise the destruction of documents set out in sub-paragraphs (a) to (e) of paragraph (1) of this Bye-law and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Bye-law shall only apply to the destruction of a document in good faith and without express notice to the Company and its share registrar that the preservation of such document was relevant to a claim.”
- (xiii) By adding the wordings “and Bye-law 153(A)” into Bye-law 153 after the words “section 88 of the Act” and before “, a printed copy of the Directors’ report.”
- (xiv) By adding the following new Bye-laws 153A and 153B immediately after Bye-law 153:
- “153A. Subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, a summary financial statement derived from the Company’s annual accounts and the directors’ report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors’ report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.

153B. The requirement to send to a person referred to in Bye-law 153 the documents referred to in that Bye-law or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents."

(xv) By deleting the existing Bye-laws 160, 161 and 162 in its entirety and replacing with the following new Bye-laws 160, 161 and 162:

"160. Any Notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.

161. Any Notice or other document:

- (a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof;
- (b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company's website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;

- (c) if served or delivered in any other manner contemplated by these Bye-laws, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the act and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof; and
 - (d) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.
162. (a) Any Notice or other document delivered or sent by post to or left at the registered address of any Member in pursuance of these Bye-laws shall, notwithstanding that such Member is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Member as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such Notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.
- (b) A notice may be given by the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a Member by sending it through the post in a prepaid letter, envelope or wrapper addressed to him by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.
 - (c) Any person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which prior to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share."
- (xvi) By adding the wordings "or electronic" into Bye-law 163, immediately after the words "a cable or telex or facsimile" but before the words "transmission message".

By Order of the Board
Keter Fong Shiu Leung
Company Secretary

Hong Kong, 26 March 2004

NOTES:

1. A member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. The instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be delivered to the office of Secretaries Limited, the Company's Branch Share Registrars in Hong Kong at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong or by way of notice to or in any document accompanying the notice convening the meeting not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holdings.
6. In relation to agenda 3 in the Notice regarding election of Directors, Messrs. Derek Zen Wei Peu, Keter Fong Shiu Leung, James Herbert Stewart, Hu Aimin and Liu Zixian shall retire by rotation, and, being eligible, offer themselves for re-election at the Annual General Meeting pursuant to the Company's Bye-laws. The biographical details of the Directors are provided in the "Directors and Senior Management" section in the Annual Report 2003.
7. An explanatory statement containing further details regarding Ordinary Resolution No. 5 above will be sent to shareholders shortly in the form of a circular.

General Terms

“AADT”	Annual average daily traffic
“Company” or “Road King”	Road King Infrastructure Limited, an exempted company incorporated with limited liability in Bermuda
“GDP”	Gross domestic product of a country, province or region
“Group”	The Company and its subsidiaries
“Infrastructure Joint Ventures”	The Sino-foreign co-operative joint ventures registered in PRC which develop or construct or operate and manage the road projects in which the Group has an interest
“Joint Ventures” or “JVs”	The Sino-foreign co-operative joint ventures registered in PRC
“Listing Rules”	Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	A company in which the Company directly or indirectly controls more than 50% of the voting rights or issued share capital or otherwise controls the composition of a majority of the board of directors or, in the case of a co-operative joint venture, such joint venture as to which the Company can control the composition of the board of directors

Financial Terms

“Earnings Per Share (EPS)”	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$
“EBITDA”	Earnings before interest, tax, depreciation and amortisation
“Gearing Ratio”	$\frac{\text{Total borrowings}}{\text{Shareholders' funds}}$
“Interest Coverage”	$\frac{\text{EBITDA}}{\text{The aggregate of interest and financing costs}}$
“Net Debt”	Total borrowings less the aggregate of charged deposits, cash and bank balances
“Net Gearing Ratio”	$\frac{\text{Net debt}}{\text{Shareholders' funds}}$
“Total Borrowings”	The aggregate of long-term and short-term portion of secured loans



Project Names

Anhui Province

“Bengbu Huaihe Bridge Highway”	Provincial Highway 307 Bengbu Huaihe Bridge Highway
“Bengbu Huaimeng Highway”	Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway
“Chaoyanglu Huaihe Bridge”	Bengbu Chaoyanglu Huaihe Highway Bridge
“Hehuai Highway”	National Highway 206 Hefei-Huainan Highway
“Heye Highway”	Hefei-Yeji Highway

Guangdong Province

“Guangsan Expressway”	Foshan Guangzhou-Sanshui Expressway
“Jihe Expressway”	Shenzhen Airport-Heao Expressway, Eastern Section
“Luochong Highway”	National Highway 324 Luoding-Chonghua Highway

Guangxi Zhuang Autonomous Region

“Yugong Highway”	Yulin-Gongguan Highway, Yulin Section
“Yulin City Ring Roads”	Yulin City Ring Roads

Hebei Province

“Baojin Expressway”	Baoding-Tianjin Expressway
“Hanguan Highway”	National Highway 309 Handan-Guantao Highway
“Shijin Highway”	National Highway 307 Shijiazhuang-Jinzhou Highway

Henan Province

“Xunan Highway”	National Highway 311 and Provincial Highway 01 Xuchang-Nanyang Highway
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Hunan Province

“Changyi Expressway”	Changsha-Yiyang Expressway
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Jiangsu Province

“Airport Highway”	Provincial Highway 343 Suzhou-Shanghai Airport Highway
“Changcao Highway”	Provincial Highway 232 Changzhou-Caoqiao Highway

Shanxi Province

“Dongguan Highway”	National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway
“Taigu Highway”	Provincial Highway 104 Taiyuan Ximing-Gujiao Highway
“Taiyu Highway”	Taiyuan-Yuci Highway
“Yuci City Bypass”	National Highway 108 Yuci City Bypass

Executive Directors

Zen Wei Pao, William (Chairman)
Ko Yuk Bing (Managing Director & CEO)
Chan Kam Hung (Finance Director)
Zen Wei Peu, Derek
Fong Shiu Leung, Keter

Non-Executive Directors

Hu Aimin
Liu Zixian
James Herbert Stewart
Chiang Wen Chee, Wendy
(Alternate to James Herbert Stewart)

Independent Non-Executive Directors

Chan Hing Chiu, Vincent
Chow Shiu Kee, Stephen

Audit Committee

Chan Hing Chiu, Vincent
Chow Shiu Kee, Stephen
James Herbert Stewart

Auditors

Deloitte Touche Tohmatsu

Solicitors

Richards Butler
Sidley Austin Brown & Wood
Stikeman Elliott

Principal Bankers

Bank of China (Hong Kong) Limited
CITIC Ka Wah Bank Limited
Credit Lyonnais Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited
KBC Bank N.V.
Shanghai Commercial Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
UFJ Bank Limited

Company Secretary

Fong Shiu Leung, Keter

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Secretaries Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

Suite 501, 5th Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Internet Address

<http://www.roadking.com.hk>

Share Listing

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited – 1098
Reuters – 1098.HK
Bloomberg – 1098 HK

Investor Relations

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