

2004-2005 Interim Report 中期報告



Highlights

- Net profit rose 19% to HK\$431 million
- Interim dividend of HK10.25 cents per share
- 15% increase to RMB 7.92 million in average daily toll revenue on the Guangzhou-Shenzhen Superhighway (“GS Superhighway”) and 33% increase to RMB 0.96 million on Guangzhou East-South-West Ring Road (“ESW Ring Road”)
- GS Superhighway average daily traffic increased 18% to 223,000 vehicles
- ESW Ring Road average daily traffic increased 36% to 62,000 vehicles
- Phase I of the Western Delta Route recorded encouraging performance since opening

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Group Results

For the six months ended 31st December, 2004, the toll revenue of the Group increased by 20% to HK\$741 million from HK\$617 million of the last corresponding period, mainly due to the rise in traffic flow of the Group's expressways in the People's Republic of China (the "PRC"). Of the total toll revenue, the Guangzhou-Shenzhen Superhighway ("GS Superhighway") contributed 88% or HK\$650 million, the Guangzhou East-South-West Ring Road ("ESW Ring Road") contributed 10% or HK\$71 million and the Phase I of the Western Delta Route ("Phase I West") contributed 2% or HK\$20 million. The growth in toll revenue by HK\$124 million as compared to the last corresponding period, of which, the GS Superhighway contributed HK\$86 million or 70%, the ESW Ring Road contributed HK\$18 million or 14% and the Phase I West contributed HK\$20 million or 16%.

The Group's proportionately shared toll revenue is set out as follows:

	Six months ended	
	31st December,	
	2003	2004
	HK\$' million	HK\$' million
GS Superhighway	564	650
ESW Ring Road	53	71
Phase I West	–	20
	617	741

Total expenses for the six months ended 31st December, 2004, including toll operation expenses, depreciation and amortisation charges and general and administrative expenses increased 19% from HK\$210 million of the last corresponding period to HK\$249 million, mainly due to an increase in depreciation and amortisation charges. Since, under the Group's accounting policies, depreciation and amortisation charges of toll roads and additional investment costs are calculated based on the ratio of actual traffic volume in the period concerned compared to the total expected traffic volume over the remaining period of respective jointly controlled entities, depreciation and amortisation charges were increased by HK\$17 million in this interim period due to the stronger than expected growth of traffic flow.

The Group's earnings before interest and tax increased by 22% from HK\$451 million of the last corresponding period to HK\$548 million and net profit increased 19% from HK\$361 million of the last corresponding period to HK\$431 million for the period ended 31st December, 2004, mainly due to the robust growth in toll revenue.

Interim Dividend and Close of Registers

The Board of Directors has declared an interim dividend of HK10.25 cents per ordinary share in respect of the financial year ending 30th June, 2005 (30th June, 2004: HK10 cents). The dividend will be paid on or about 30th March, 2005 to those shareholders as registered at the close of business on 24th March, 2005.

The register of members and warrant holders of the Company will be closed from Monday, 21st March, 2005 to Thursday, 24th March, 2005, both days inclusive, during which no transfer of shares and no transfer or exercise of warrants will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates and all completed subscription forms in relation to the exercise of the warrants accompanied by the appropriate subscription monies and the relevant warrant certificates must be lodged with the Company's Hong Kong Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 18th March, 2005.

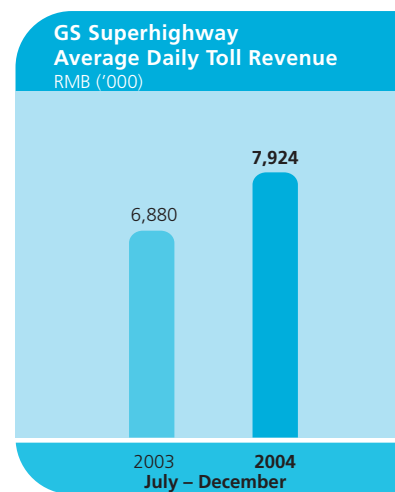
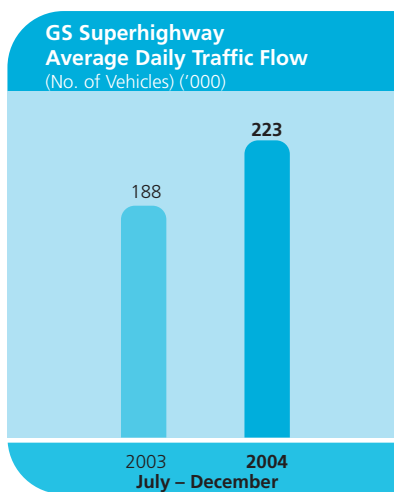
Business Review

The Guangdong Province has been one of the fastest growing provinces in the PRC; whereas, the Pearl River Delta ("PRD") region, being one of the world's most important centers of manufacturing and production, continues to increase its competitiveness. The Group recorded continuous robust growth in average daily traffic flow and average daily toll revenue of 29% and 20% respectively for the six months ended 31st December, 2004 as compared to the last corresponding period. With the implementation of the Pan-PRD programmes and CEPA policy, the opening of the Guangzhou Baiyun International Airport and various large-scale industrial and economic zones and seaports, the Group expects continued growth in traffic flow and toll revenue at GS Superhighway and ESW Ring Road as well as Phase I West. During the period under review, the Group has upgraded the toll collection systems of its three expressways to meet the unitoll requirements of Guangdong Province. Commencing from mid-December, 2004, the applications of Yuetong card coupled with non-stop electronic toll payment system have effectively enhanced the efficiency of toll collection.

Business Review *(continued)*

Guangzhou-Shenzhen Superhighway (“GS Superhighway”)

The GS Superhighway is a 122.8 km closed system toll expressway. This expressway is a major artery of the highway network in the PRD region, and the trunk route connecting four major cities, namely, Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, the average daily traffic flow reached 223,000 vehicles, an increase of 18% as compared to the last corresponding period and the average daily toll revenue grew by 15% to RMB 7.92 million. Toll revenue reached RMB 1,460 million.



The achievement in significant traffic and toll revenue growth is largely due to the continuous rapid economic growth of the Guangdong Province. The continuous growth in GDP and wealth of both the business enterprises and individuals in the Guangdong Province resulted in the increase in the flow of passengers and goods in the region as well as the growth of vehicle ownership. The Group strongly believes that these factors will facilitate the continuous growth both in traffic flow and toll revenue of the GS Superhighway in the future. The Group has been studying the feasibility of widening the expressway from the current total 6 lanes to 10 lanes.

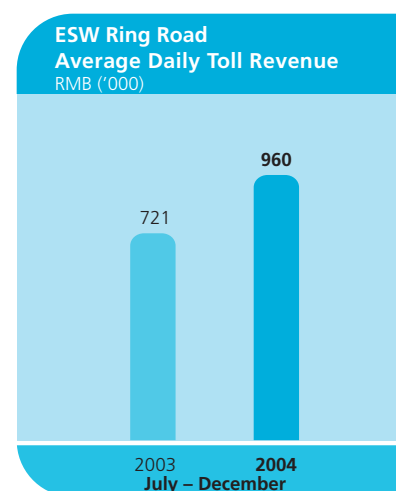
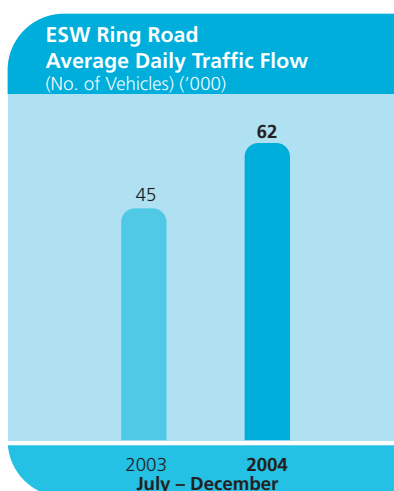
The Group always emphasizes on maintaining the high quality of services and standards of its expressways. During the period under review, the GS Superhighway completed some key improvement programmes, including repavement works on the main alignments of the Shenzhen section and on the sliproads of all interchanges, installation of light reflective studs along both sides of the expressway, and installation of additional road lightings, road signs and marks along the expressway. Expansion works at the Huanghe toll station connecting with the Jihe Expressway, and reconstruction works at the Changan and Luogang interchanges have also been carried out to cope with the economic growth of the nearby towns and allow for increasing traffic throughput. The Group will closely monitor the traffic growth of the GS Superhighway and carry out effective measures to ensure the quality of services.

Business Review *(continued)*

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

The ESW Ring Road is one of the major arteries of the Guangzhou's network of expressways with a total length of 38 km. The eastern part of the expressway connects to the GS Superhighway; whereas, the southern part connects to the Guangzhou Nansha Port Expressway and Phase I West, and the western part links with the Guangfo Expressway. It plays a vital role in relieving the pressure of traffic congestion in the inner city of Guangzhou and providing a speedy route for traffic passing through Guangzhou en route to other destinations.

Benefiting from the economic growth of Guangzhou, the ESW Ring Road recorded a strong increase in traffic flow and toll revenue during the period under review. The average daily traffic flow grew by 36% to 62,000 vehicles and average daily toll revenue increased by 33% to RMB 0.96 million. Toll revenue reached RMB 180 million.



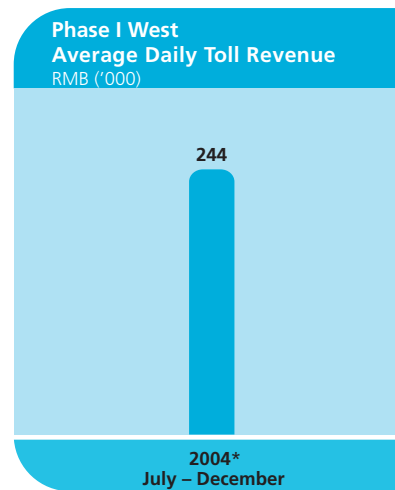
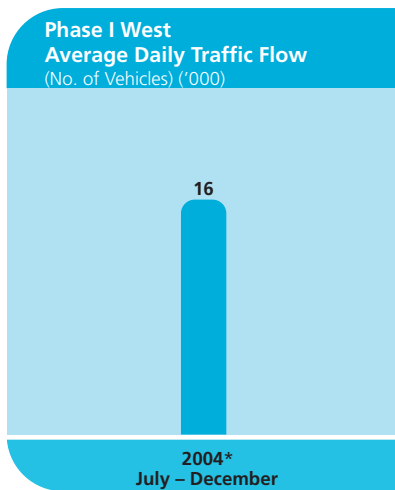
As a result of the continuous economic development of Guangzhou as one of the most important metropolis of the PRC, the regions along the ESW Ring Road also achieved rapid growth. The road network of which the ESW Ring Road is a part has also become more and more developed, particularly with the completion in 2004 of the Guangzhou Airport Expressway linking Guangzhou to the Guangzhou Baiyun International Airport in the north and the Guangzhou Nansha Port Expressway linking Guangzhou to the industrial zones at Nansha and the Longxue Island Port in the south. The Group strongly believes that the traffic volume and toll revenue of this project will benefit from these factors in the future.

Business Review *(continued)*

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

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

Since the expressway was opened to traffic on 30th April, 2004, it recorded a steady growth both in traffic volume and toll revenue. During the period under review, average daily traffic flow reached 16,000 vehicles, a growth of 41% since operations started, and average daily toll revenue reached RMB 0.244 million, increased by 47%. Toll revenue reached RMB 45 million.



* Operation started on 30th April, 2004.

With the rapid economic growth of the PRD region, the business activities amongst Guangzhou, Shunde and neighbouring cities are increasingly flourishing. Currently, the Phase I West is the only expressway between Guangzhou and Shunde providing a speedy transportation link between these two cities. The Group believes the Phase I West will continue to grow remarkably in traffic volume as well as toll revenue.

Financial Review

Liquidity and Financial Resources

As a result of the stable cash flow generated from its assets, the Group's total debt to total assets ratio was stable at 37% (30th June, 2004: 37%). The net current assets of the Group increased by 56% from HK\$1,460 million as at 30th June 2004, to HK\$2,273 million as at 31st December, 2004. The Group's total bank balances and cash increased by 139% from HK\$706 million as at 30th June, 2004 to HK\$1,684 million as at 31st December, 2004.

The Group's gearing ratio (net debt to equity) was further improved to 32% as at 31st December, 2004 (30th June, 2004: 35%) and the gearing structure is set out below:

	As at 30th June, 2004 HK\$ million	As at 31st December, 2004 HK\$ million
Total Debt	5,719	5,623
Net Debt ^(Note)	3,255	3,005
Total Assets	15,338	15,357
Equity	9,180	9,261
Total Debt/Total Assets	37%	37%
Net Debt/Equity	35%	32%

Note: Net debt is defined as total debt less bank balances and cash together with pledged bank deposits and debt securities investments.

As at 31st December, 2004, bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,801 million (30th June, 2004: HK\$4,881 million), with the following profile:

- (a) 98% was bank loans (30th June, 2004: 98%) and 2% was other loans (30th June, 2004: 2%); and
- (b) 73% was denominated in US dollars (30th June, 2004: 73%) and 27% was denominated in Renminbi (30th June, 2004: 27%).

Interest Rate and Exchange Rate Exposures

There have been no significant changes in the Group's policy in terms of interest rate and exchange rate exposures. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures as the Hong Kong Dollar is pegged to US Dollar, and the exchange rate between Renminbi and Hong Kong Dollar is relatively stable. Business operations of the Group and its jointly controlled entities are mainly denominated in these three currencies.

Financial Review *(continued)*

Treasury Policies

The Group continues to adopt prudent treasury policies in financial and funding management. Its liquidity and financial resources are reviewed on a regular basis to minimise the cost of funding and enhance the return on financial assets.

Debt Maturity Profile

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group at 31st December, 2004 as compared with that at 30th June, 2004 is shown as follows:

	As at 30th June, 2004	As at 31st December, 2004
Repayable within 1 year	4%	4%
Repayable between 1 to 5 years	31%	38%
Repayable beyond 5 years	65%	58%

The Group has no unconsolidated bank borrowings both at 31st December and 30th June, 2004. Bank borrowings of the jointly controlled entities carry floating interest rates.

Charges on Assets

As at 31st December, 2004, certain assets of the jointly controlled entities of the Group have been pledged to banks with a total net book value of approximately HK\$7,658 million (30th June, 2004: HK\$7,647 million) to secure general banking facilities granted to the jointly controlled entities. The net book value of these assets are analysed as follows:

	As at 30th June, 2004 HK\$ million	As at 31st December, 2004 HK\$ million
Toll roads	7,266	7,155
Bank deposits	319	413
Other assets	62	90
	7,647	7,658

Financial Review *(continued)*

In addition, the toll collection rights of the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (the "GS Superhighway JV") and Guangzhou E-S-W Ring Road Company Limited (the "Ring Road JV") have been pledged to banks to secure general banking facilities granted to the respective jointly controlled entities and 65% of the toll collection right of Guangdong Guangzhou-Zhuhai West Superhighway Company Limited has been pledged to banks to secure general banking facilities granted to the jointly controlled entity.

Capital Commitments

As at 31st December, 2004, the GS Superhighway JV and the Ring Road JV had outstanding commitments in respect of system for unification of toll collection and major repairs and maintenance contracted but not provided for amounting to approximately HK\$21 million (30th June, 2004: HK\$23 million).

Contingent Liabilities

As at 31st December, 2004, there was no material change in contingent liabilities of the Group since the last financial year ended 30th June, 2004.

Prospects

Phases II and III of the Western Delta Route

About 46 km, the Phase II of the Western Delta Route ("Phase II West") will be an expressway project linking up the Phase I West and Zhongshan. In July 2004, the Group conditionally amended their agreements with the PRC partner of Phase I West to invest, construct and operate the Phase II West, details of which have been set out in the circular of the Company dated 21st August, 2004. In October 2004, the feasibility study report of Phase II West was approved. The project is expected to commence construction in 2005.

In addition, the Group is currently in the process of negotiating the terms of a possible co-operation with the PRC partner of Phase I West to also invest, construct and operate the Phase III of the Western Delta Route which will link up the Phase II West, Zhongshan and Zhuhai. On completion of the Western Delta Route, an arterial expressway system directly connecting Guangzhou, Nanhai, Shunde, Zhongshan and Zhuhai will be formed, creating a strategic route in that area.

Hong Kong-Zhuhai-Macau Bridge Project

As a step to further advance the project, the Guangdong, Hong Kong SAR, and Macau SAR governments have commissioned in 2004 the China Highway Planning and Design Institute Consultants, Inc. to undertake a feasibility study of the Hong Kong-Zhuhai-Macau bridge project. It was reported in the media that the study was completed and a report had been submitted to the three governments for review in December 2004. The Group believes it is well positioned to play an important role in the Hong Kong-Zhuhai-Macau Bridge project once it proceeds.

Other Information

Review of Interim Results

The unaudited interim results of the Group for the six months ended 31st December, 2004 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December, 2004, the interests and short positions of the directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) the Company⁽ⁱ⁾

Directors	Shares	Underlying shares of equity derivatives					Share options (held as beneficial owner) ^(iv)	Total interests	% of issued share capital
		Warrants ⁽ⁱⁱ⁾				Other interests			
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱⁱ⁾ (interests of controlled corporation)					
Gordon Ying Sheung WU	300,000 ^(v)	6,249,403	2,191,000 ^(v)	11,124,999	3,068,000 ^(vi)	-	22,933,402	0.80%	
Eddie Ping Chang HO	-	1,936,000	24,600	205,000	-	-	2,165,600	0.08%	
Thomas Jefferson WU	200,000 ^(vii)	2,435,000	-	82,000	-	-	2,717,000	0.09%	
Leo Kwok Kee LEUNG	-	1,000	-	-	-	2,000,000	2,001,000	0.07%	
Kojiro NAKAHARA	-	1,067	-	-	-	-	1,067	0.00%	
Christopher Shih Ming IP ^(viii)	2,000,000	-	-	-	-	-	2,000,000	0.07%	

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives of the Company were long positions. None of the directors or chief executives held any short position in the shares and underlying shares of equity derivatives of the Company.
- (ii) The warrants of the Company conferred rights to subscribe for shares at an initial subscription price per share equivalent to the initial public offer price of the shares of HK\$4.18 (subject to adjustment) exercisable during a period of 3 years commencing on 6th August, 2003.
- (iii) These corporate interests were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iv) The share options granted were under the Share Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options".
- (v) The interests in 300,000 shares and 2,191,000 underlying shares of warrants were interests held by Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU"), the wife of Sir Gordon Ying Sheung WU ("Sir Gordon WU").
- (vi) The other interests in 3,068,000 underlying shares of warrants represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (vii) The interests in 200,000 shares represented beneficial interests of Mr. Thomas Jefferson WU.
- (viii) Mr. Christopher Shih Ming IP resigned as Director of the Company with effect from 5th January, 2005.

Other Information *(continued)*

(B) *Associated Corporation*

Hopewell Holdings Limited (“HHL”)

<i>Directors</i>	<i>HHL shares</i>				<i>Total interests</i>	<i>% of issued share capital</i>
	<i>Personal interests (held as beneficial owner)</i>	<i>Family interests (interests of spouse or child under 18)</i>	<i>Corporate interests ⁽ⁱ⁾ (interests of controlled corporation)</i>	<i>Other interests</i>		
Gordon Ying Sheung WU	71,494,032	21,910,000 ⁽ⁱⁱ⁾	111,250,000	30,680,000	235,334,032	26.18%
Eddie Ping Chang HO	25,360,000	246,000	2,050,000	–	27,656,000	3.08%
Thomas Jefferson WU	27,040,000	–	820,000	–	27,860,000	3.10%
Kojiro NAKAHARA	10,671	–	–	–	10,671	0.00%
Leo Kwok Kee LEUNG	10,000	–	–	–	10,000	0.00%
Lee Yick NAM	90,000	–	–	–	90,000	0.01%
Alan Chi Hung CHAN	585,000	–	–	–	585,000	0.07%
Cheng Hui JIA	441,000	–	–	–	441,000	0.05%

Notes:

- (i) *The corporate interests of HHL shares were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.*
- (ii) *The family interests in 21,910,000 HHL shares represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.*

All the above interests in the shares of associated corporation were long positions.

Save as aforesaid, as at 31st December, 2004, none of the directors or chief executives had any other interests or short position in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information *(continued)*

Share Options

The share option scheme of the Company was approved by the written resolutions of the then sole shareholder of the Company passed on 16th July, 2003 and approved by shareholders of Hopewell Holdings Limited at an extraordinary general meeting held on 16th July, 2003 (the "Option Scheme").

Details of the movement of share options of the Company for the six months ended 31st December, 2004 were as follows:

	Date of grant	Exercise price HK\$	Balance of outstanding options at 01/07/2004	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Balance of outstanding options at 31/12/2004	Exercise period	Closing price before date of grant falling within the period HK\$
Directors									
Leo Kwok Kee LEUNG	08/09/2004	4.875	-	2,000,000	-	-	2,000,000	08/09/2004 - 07/09/2007	4.875
Christopher Shih Ming IP ^(Note)	13/09/2004	4.880	-	2,000,000	2,000,000	-	-	13/09/2004 - 12/09/2007	4.850
Employee	08/09/2004	4.875	-	800,000	400,000	-	400,000	08/09/2004 - 07/09/2007	4.875
Total			-	4,800,000	2,400,000	-	2,400,000		

Note: Mr. Christopher Shih Ming IP resigned as Director of the Company with effect from 5th January, 2005.

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised during the period was HK\$5.18.

The fair values of the share options granted during the period with the exercise price per share of HK\$4.875 and HK\$4.88 are both estimated at HK\$1.47 using the Black-Scholes option pricing model. The value is estimated based on the risk free rate of 1.63% per annum with reference to the rate on the 3-year Exchange Fund Notes, an estimated historical volatility of 24.60% of the closing price of the shares of the Company for the period from 1st January, 2004 to 31st December, 2004, and assuming an expected option life of 2.7 years and same level of dividends as the last year's dividend of HK22.5 cents per share over the option life.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Other Information *(continued)*

Substantial Shareholders

As at 31st December, 2004, to the best knowledge of the directors, the interests of persons (other than directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of shares (corporate interests)	% of issued share capital
Anber Investments Limited	Beneficial owner	2,160,000,000 <i>(Note)</i>	74.89%
Delta Roads Limited	Interests of controlled corporation	2,160,000,000 <i>(Note)</i>	74.89%
Dover Hills Investments Limited	Interests of controlled corporation	2,160,000,000 <i>(Note)</i>	74.89%
Supreme Choice Investments Limited	Interests of controlled corporation	2,160,000,000 <i>(Note)</i>	74.89%
Hopewell Holdings Limited	Interests of controlled corporation	2,160,000,000 <i>(Note)</i>	74.89%

Note: The 2,160,000,000 shares were held by Anber Investments Limited, a wholly-owned subsidiary of Delta Roads Limited which was wholly-owned by Dover Hills Investments Limited. The latter was in turn 100% owned by Supreme Choice Investments Limited, a wholly-owned subsidiary of Hopewell Holdings Limited. The interests of Anber Investments Limited, Delta Roads Limited, Dover Hills Investments Limited, Supreme Choice Investments Limited and Hopewell Holdings Limited were long positions, represented the same block of shares and were deemed under the SFO to have same interests with each other.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 31st December, 2004.

Purchase, Sale or Redemption of Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries of securities of the Company during the six months ended 31st December, 2004.

Employees and Remuneration Policies

As at 31st December, 2004, the Group had a total of 41 full-time staff, with 35 in Hong Kong and 6 in the PRC. There have been no material changes to the remuneration policies and staff development programmes as disclosed in the 2003-2004 Annual Report. Share options may be granted at the discretion of the Board of Directors to employees as appropriate.

Acquisitions and Disposals of Subsidiaries and Associates

During the period, there was no material acquisition or disposal of the Company's subsidiaries and associates.

Other Information *(continued)*

Code of Best Practice and Model Code

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not for any part of the six months ended 31st December, 2004, in compliance with the Code of Best Practice set out in the then Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code for the period under review.

Audit Committee

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of unaudited interim financial statements for the six months ended 31st December, 2004.

Change of Director

Mr. Christopher Shih Ming IP resigned as Executive Director of the Company with effect from 5th January, 2005. The Board would like to thank Mr. IP for his contributions to the Company during the tenure of his service.

By order of the Board
Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 2nd March, 2005

As at the date hereof, the Directors of the Company are:

Sir Gordon Ying Sheung WU, Mr. Eddie Ping Chang HO, Mr. Thomas Jefferson WU, Mr. Alan Chi Hung CHAN, Ir. Leo Kwok Kee LEUNG, Mr. Li Jia HUANG, Mr. Cheng Hui JIA, Mr. Philip Tsung Cheng FEI(#), Mr. Lee Yick NAM(#), Mr. Kojiro NAKAHARA(#) and Mr. Gordon YEN(#)

(#) Independent Non-Executive Director

Condensed Consolidated Income Statement

For the six months ended 31st December, 2004

	Notes	Six months ended 31st December,	
		2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Turnover	4	617,222	741,290
Other operating income	5	42,951	55,608
Toll operation expenses		(49,824)	(72,831)
Depreciation and amortisation charges		(112,746)	(129,596)
General and administrative expenses		(47,023)	(46,102)
Profit from operations	6	450,580	548,369
Finance costs	7	(76,053)	(91,277)
Profit before tax		374,527	457,092
Income tax expense	8	(6,149)	(17,258)
Profit after tax		368,378	439,834
Minority interests		(7,708)	(9,041)
Profit for the period		360,670	430,793
Dividends	9	288,006	295,908
		HK cents	HK cents
Earnings per share	10		
Basic		13.17	14.94
Diluted		13.16	14.86

Condensed Consolidated Balance Sheet

At 31st December, 2004

	Notes	30th June, 2004 (audited) HK\$'000	31st December, 2004 (unaudited) HK\$'000
ASSETS			
Non-current Assets			
Property and equipment		9,678,199	9,584,319
Additional investment cost in jointly controlled entities		1,860,952	1,838,956
Investment in toll road project under development		37,889	37,948
Loans to jointly controlled entities		1,149,731	1,143,401
Investments in securities – mature after one year	12	711,398	–
		13,438,169	12,604,624
Current Assets			
Inventories		2,269	2,304
Other receivables, deposits and prepayments		82,666	61,229
Interest receivable from a joint venture partner		63,001	70,939
Investments in securities – mature within one year	12	1,046,195	934,122
Pledged bank deposits		319,211	413,299
Bank balances and cash		386,645	1,270,584
		1,899,987	2,752,477
Total Assets		15,338,156	15,357,101
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	288,059	288,422
Reserves		8,891,708	8,972,421
		9,179,767	9,260,843
Minority Interests		32,239	33,941
Non-current Liabilities			
Bank and other loans – due after one year	14	4,710,522	4,605,201
Loans from joint venture partners		837,512	822,107
Deferred tax liabilities	15	138,289	155,414
		5,686,323	5,582,722
Current Liabilities			
Other payables, accruals and deposits received		188,673	191,578
Bank and other loans – due within one year	14	170,823	195,810
Interest payable to a jointly controlled entity		77,364	87,469
Other interests payable		2,967	4,738
		439,827	479,595
Total Liabilities		6,126,150	6,062,317
Total Equity and Liabilities		15,338,156	15,357,101

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st December, 2004

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st July, 2003	312	–	56,464	14,882	–	1,274,823	1,346,481
Exchange loss on operations outside Hong Kong (not recognised in the income statement)	–	–	–	(7,155)	–	–	(7,155)
Shares issued at a premium on placing and public offer	72,000	2,937,600	–	–	–	–	3,009,600
Shares issued at a premium on exercise of warrants	6	241	–	–	–	–	247
Share issue expenses	–	(126,385)	–	–	–	–	(126,385)
Capitalisation of amount due to immediate holding company	215,688	4,284,312	–	–	–	–	4,500,000
Profit for the period	–	–	–	–	–	360,670	360,670
Transfer between reserves	–	–	20,011	–	–	(20,011)	–
Amount set aside for dividend payments for year ended 30th June, 2004	–	–	–	–	288,006	(288,006)	–
At 31st December, 2003	288,006	7,095,768	76,475	7,727	288,006	1,327,476	9,083,458
At 1st July, 2004	288,059	7,104,602	76,560	9,088	360,087	1,341,371	9,179,767
Exchange loss on operations outside Hong Kong (not recognised in the income statement)	–	–	–	(6,002)	–	–	(6,002)
Shares issued at a premium on exercise of warrants	163	6,665	–	–	–	–	6,828
Shares issued at a premium on exercise of share options	200	9,560	–	–	–	–	9,760
Profit for the period	–	–	–	–	–	430,793	430,793
Final dividend for year ended 30th June, 2004 paid	–	–	–	–	(360,087)	(216)	(360,303)
Transfer between reserves	–	–	8,429	–	–	(8,429)	–
Amount set aside for dividend payments for year ending 30th June, 2005	–	–	–	–	295,692	(295,692)	–
At 31st December, 2004	288,422	7,120,827	84,989	3,086	295,692	1,467,827	9,260,843

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December, 2004

	Six months ended 31st December,	
	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Net cash from operating activities	596,667	655,860
Investing activities:		
Purchases of property and equipment	(128,896)	(38,944)
Repayment of loans to jointly controlled entities	3,719	17,167
Acquisition of held-to-maturity debt securities	(1,746,291)	(301,119)
Redemption and disposal of held-to-maturity debt securities	–	1,089,446
Interest received from held-to-maturity debt securities	7,189	64,711
Increase in pledged bank deposits	(60,299)	(94,088)
Net cash (used in) from investing activities	(1,924,578)	737,173
Financing activities:		
Net proceeds from issue of shares	2,883,462	16,588
New bank loan raised	–	17,841
Interest paid	(96,385)	(79,563)
Repayment of bank and other loans	(487,694)	(82,628)
Repayment of loans from joint venture partners	(8,247)	(13,120)
Repayment to holding companies	(543,452)	–
Dividends paid to:		
– shareholders	–	(360,303)
– a minority shareholder of a subsidiary	(7,984)	(7,339)
Net cash from (used in) financing activities	1,739,700	(508,524)
Net increase in cash and cash equivalents	411,789	884,509
Cash and cash equivalents at beginning of the period	183,310	386,645
Effect of foreign exchange rate changes	1,419	(570)
Cash and cash equivalents at end of the period		
Bank balances and cash	596,518	1,270,584

Notes to the Condensed Financial Statements

For the six months ended 31st December, 2004

1. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 "Interim Financial Reporting".

2. Potential Impact Arising from the Recently Issued Accounting Standards

In 2004, the International Accounting Standards Board ("IASB") issued a number of new or revised International Accounting Standards and International Financial Reporting Standards ("IFRSs") (herein collectively referred to as "new IFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new IFRSs in the condensed interim financial statements for the six months ended 31st December, 2004.

In 2004, IASB issued IFRS 2 "Share-based Payment", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of share or rights over shares ("cash-settled transactions"). The principal impact of IFRS 2 on the Group is in relation to the expensing of directors' and employee's share options of the Company. Currently, the Group does not expense the share options issued by the Company.

The Group intends to take advantage of the transitional provisions set out in IFRS 2. In relation to share options granted on or before 7th November, 2002 and share options granted after 7th November, 2002 and vested before effective date of IFRS 2, the Group does not intend to recognise and expense those share options.

3. Principal Accounting Policies

The condensed interim financial statements have been prepared under the historical cost convention. The assets, liabilities and results of operations of jointly controlled entities are accounted for by proportionate consolidation. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2004.

4. Turnover and Segment Information

Turnover represents the Group's proportionate share of the jointly controlled entities' toll fee income received and receivable from the operations of toll roads, net of business tax.

The Group has only one business segment, namely the development, operation and management of toll roads in the People's Republic of China (the "PRC") through its jointly controlled entities established in the PRC.

No geographical segment analysis is presented as the directors consider that the Group has only one geographical segment.

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2004

5. Other Operating Income

	Six months ended 31st December,	
	2003 HK\$'000	2004 HK\$'000
Interest income from:		
A jointly controlled entity	9,314	9,864
A joint venture partner	8,622	8,243
Bank deposits	4,060	3,289
Held-to-maturity debt securities (after netting off of amortisation of premium on acquisition of held-to-maturity debt securities of HK\$28,846,000 (six months ended 31st December, 2003: HK\$17,843,000))	8,615	16,379
Rental income	1,875	500
Reimbursement of operating expenses from jointly controlled entities	2,200	2,200
Other income	8,265	15,133
	42,951	55,608

6. Profit from Operations

	Six months ended 31st December,	
	2003 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of additional investment cost in jointly controlled entities	19,614	21,996
Depreciation of:		
Toll roads	91,440	105,005
Other property and equipment	1,692	2,595

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2004

7. Finance Costs

	Six months ended 31st December,	
	2003 HK\$'000	2004 HK\$'000
Interest on:		
Bank loans	63,017	78,475
Loan from a jointly controlled entity	10,468	10,297
Loan from a joint venture partner	149	149
Other loan wholly repayable within five years	2,328	2,356
	75,962	91,277
Other financial expenses	91	–
Total borrowing costs	76,053	91,277

8. Income Tax Expense

	Six months ended 31st December,	
	2003 HK\$'000	2004 HK\$'000
PRC income tax	119	133
Write back of provision of income tax in prior year	(50)	–
Deferred taxation (<i>note 15</i>)	6,080	17,125
	6,149	17,258

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

Pursuant to relevant laws and regulations in the PRC, the Group's jointly controlled entities are entitled to certain exemption and relief from PRC income tax. The normal tax rate applicable to the taxable income of a foreign investment enterprise in the PRC is 33%, comprising the standard national tax rate of 30% and the local tax rate of 3%.

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2004

8. Income Tax Expense *(continued)*

Pursuant to an approval from the Guangdong Provincial Tax Bureau, the rate of foreign enterprise income tax payable by 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"), in respect of its income arising from the operation of toll roads and related service facilities (excluding hotels and entertainment facilities) is 15% and GS Superhighway JV is entitled to a five year exemption from foreign enterprise income tax for such income commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. For the following five years, it will enjoy a 50% reduction in the rate of income tax payable in respect of such income. Pursuant to another approval from the Guangdong Provincial Tax Bureau, GS Superhighway JV is also exempt from paying a local income tax (currently set at a rate of 3%) in respect of income arising from the operation of the toll road and related service facilities for ten years commencing from the first profit-making year. The first year for which GS Superhighway JV recorded profits for PRC tax purposes was the year ended 31st December, 2000.

Pursuant to an approval from the Guangzhou branch of the State Tax Bureau, the rate of foreign enterprise income tax payable by 廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), in respect of its income arising from the operation of the toll road is 15%. Pursuant to an approval from the Guangzhou Municipal Government, Ring Road JV is entitled to a five year exemption from foreign enterprise income tax for income arising from the operation of the toll road commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. For the following five years, it will enjoy a 50% reduction in the rate of foreign enterprise income tax payable. In respect of income arising from toll road operations and related service facilities, Ring Road JV is also exempted from paying a local income tax (currently set at a rate of 3%) for ten years commencing from the first profit-making year. Because Ring Road JV has not yet recorded profits for PRC tax purposes, the exemptions from paying foreign enterprise income tax and local income tax have so far had no effect on Ring Road JV.

廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") started its operations in April 2004 and is now in the process of applying for certain exemption and relief from the relevant tax authority. No provision for PRC income tax for West Route JV has been made as the jointly controlled entity has no assessable profit for PRC tax purposes.

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2004

9. Dividends

	Six months ended 31st December,	
	2003 HK\$'000	2004 HK\$'000
Interim dividend declared HK10.25 cents (six months ended 31st December, 2003: HK10 cents) per share	288,006	295,692
Final dividend for the year ended 30th June, 2004 paid on shares issued subsequent to approval of the financial statements	–	216
	288,006	295,908

A final dividend of HK12.5 cents per share (year ended 30th June, 2003: nil) for the financial year ended 30th June, 2004 was paid to shareholders in October 2004.

The directors have declared that an interim dividend in respect of the financial year ending 30th June, 2005 of HK10.25 cents (year ended 30th June, 2004: HK10 cents) per share totalling approximately HK\$295,692,000 (year ended 30th June, 2004: HK\$288,006,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 24th March, 2005.

10. Earnings Per Share

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

	Six months ended 31st December,	
	2003 HK\$'000	2004 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	360,670	430,793

	Six months ended 31st December,	
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,739,163,315	2,883,598,357
Effect of dilutive potential ordinary shares:		
Warrants	745,680	15,164,614
Share options	–	88,418
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,739,908,995	2,898,851,389

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2004

11. Investments in Jointly Controlled Entities

During the period, the Group entered into the Amending Agreements with the PRC partner of West Route JV for the investment in and the planning, design, construction and operation of Phase II of an expressway linking Guangzhou, Zhongshan and Zhuhai, the PRC, Western Delta Route, through West Route JV. The details of the Amending Agreements have been set out in the circular of the Company dated 21st August, 2004.

The Group is currently in the process of negotiating the terms of a possible co-operation with the PRC partner of West Route JV for the investment in and the planning, design, construction and operation of Phase III of Western Delta Route through West Route IV. The details of the terms of the possible co-operation in relation to Phase III of the Western Delta Route have been set out in the circular of the Company dated 21st August, 2004.

12. Investments in Securities

During the period, held-to-maturity securities with aggregate nominal values of approximately HK\$934 million were redeemed. In addition, the Group acquired and disposed held-to-maturity debt securities with aggregate nominal values of approximately HK\$291 million and HK\$156 million respectively during the period.

13. Share Capital

	Number of shares	Nominal amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 30th June, 2004 and 31st December, 2004	10,000,000,000	1,000,000
Issued and fully paid:		
At 1st July, 2004	2,880,590,046	288,059
Issue of shares upon exercise of warrants	1,633,561	163
Issue of shares upon exercise of share options	2,000,000	200
At 31st December, 2004	2,884,223,607	288,422

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2004

13. Share Capital *(continued)*

Warrants

Pursuant to the written resolutions of the sole shareholder of the Company passed on 16th July, 2003, the instrument constituting the warrants and the creation of the warrants of the Company (the "Warrants") were approved. The Warrants carry subscription rights which confer the right to registered holders to subscribe for shares of the Company at a subscription price of HK\$4.18, being the initial subscription price per share equivalent to the initial public offer price of the shares (subject to adjustment) exercisable during a period of 3 years commencing 6th August, 2003 ("Subscription Rights").

During the period, Subscription Rights of HK\$6,828,285 were exercised by registered holders and converted into 1,633,561 ordinary shares of the Company.

At 31st December, 2004, Subscription Rights of HK\$356,595,921 were outstanding, exercise of which in full would result in the issue of 85,310,029 ordinary shares of the Company of HK\$0.1 each.

Share options

A share option scheme (the "Scheme") was adopted by the Company during the year ended 30th June, 2004, pursuant to the written resolutions of the sole shareholder of the Company passed on 16th July, 2003 and approved by the shareholders of Hopewell Holdings Limited, the ultimate holding company of the Company, at an extraordinary general meeting held on 16th July, 2003. The Scheme shall be valid and effective for a period of 10 years and the principal purpose of which is to provide incentives to directors and eligible employees. The Board of Directors of the Company is authorised to grant options under the Scheme to executive directors and employees of the Company and persons specified in the scheme document to subscribe for shares of the Company.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK\$1 per each grant of option, payable as consideration on acceptance, which is recognised in the income statement when received.

During the period, options to subscribe for 2,800,000 and 2,000,000 ordinary shares of the Company at the subscription price of HK\$4.875 and HK\$4.88 per share respectively were granted to certain directors and an employee of the Company. During the period, a director exercised the options to subscribe for 2,000,000 ordinary shares of the Company at the subscription price of HK\$4.88 per share and the shares were allotted to the director.

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2004

14. Bank and Other Loans

	30th June, 2003 <i>HK\$'000</i>	31st December, 2004 <i>HK\$'000</i>
Bank loans, secured	4,785,512	4,705,484
Other loans, unsecured	95,833	95,527
	4,881,345	4,801,011
The borrowings are repayable as follows:		
On demand or within one year	170,823	195,810
In the second year	205,176	248,443
In the third to fifth year inclusive	1,356,338	1,580,113
After five years	3,149,008	2,776,645
	4,881,345	4,801,011
Less: Amounts due for settlement within one year (shown under current liabilities)	(170,823)	(195,810)
Amounts due for settlement after one year	4,710,522	4,605,201

Analysis of borrowings by currency:

	At 30th June, 2004	
	US\$ <i>HK\$'000</i>	RMB <i>HK\$'000</i>
Bank loans	3,578,386	1,207,126
Other loans	–	95,833
	3,578,386	1,302,959

	At 31st December, 2004	
	US\$ <i>HK\$'000</i>	RMB <i>HK\$'000</i>
Bank loans	3,508,659	1,196,825
Other loans	–	95,527
	3,508,659	1,292,352

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2004

15. Deferred Tax Liabilities

The deferred tax liabilities as shown in the condensed consolidated balance sheet represent the Group's proportionate share of such liabilities or assets of the jointly controlled entities.

The major components and movement for the period in the deferred tax liabilities (assets) are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st July, 2003	134,605	(18,200)	116,405
Charge (credit) for the period	11,880	(5,800)	6,080
At 31st December, 2003	146,485	(24,000)	122,485
Charge (credit) for the period	19,304	(3,500)	15,804
At 30th June, 2004	165,789	(27,500)	138,289
Charge (credit) for the period	18,425	(1,300)	17,125
At 31st December, 2004	184,214	(28,800)	155,414

16. Total Assets Less Current Liabilities/Net Current Assets

The Group's total assets less current liabilities at 31st December, 2004 amounted to approximately HK\$14,877,506,000 (30th June, 2004: HK\$14,898,329,000). The Group's net current assets at 31st December, 2004 amounted to approximately HK\$2,272,882,000 (30th June, 2004: HK\$1,460,160,000).

17. Capital Commitments

At 31st December, 2004, GS Superhighway JV and Ring Road JV had outstanding commitments in respect of installation of a system for unification of toll collection and major repairs and maintenance contracted but not provided for amounting to approximately HK\$21 million (30th June, 2004: HK\$23 million).

18. Pledge of Assets

At 31st December, 2004, certain assets of the jointly controlled entities of the Group have been pledged to banks to secure general banking facilities granted to the jointly controlled entities. The net book value of these assets proportionately shared by the Group are analysed as follows:

	30th June, 2004 HK\$'000	31st December, 2004 HK\$'000
Toll roads	7,265,626	7,155,388
Bank deposits	319,211	413,299
Other assets	61,864	90,023
	7,646,701	7,658,710

In addition, the toll collection rights of GS Superhighway JV and Ring Road JV have been pledged to banks to secure general banking facilities granted to the respective jointly controlled entities and 65% of the toll collection right of West Route JV has been pledged to banks to secure general banking facilities granted to the jointly controlled entity.



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