



# Hopewell Highway Infrastructure Limited

合和公路基建有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 737)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2006

### Highlights

- Net profit attributable to equity holders of the Company rose 21% to HK\$682 million
- Interim dividend of HK15 cents per share
- Aggregate average daily toll revenue for the period of the three expressways rose 14% to RMB11,532,000 and aggregate average daily traffic rose 17% to 429,000 vehicles
- Net cash on hand of about HK\$3.3 billion as at 31st December, 2006

### GROUP RESULTS

The Board of Directors of Hopewell Highway Infrastructure Limited (the “Company”) is pleased to announce the unaudited interim results of the Group for the six months ended 31st December, 2006.

For the six months ended 31st December, 2006, the toll revenue of the Group increased by 17% to HK\$1,004 million from HK\$860 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 about 88% or HK\$877 million, whereas the Guangzhou East-South-West Ring Road (“ESW Ring Road”) and the Phase I of the Western Delta Route (“Phase I West”) contributed about 9% or HK\$92 million and 3% or HK\$35 million respectively. The toll revenue increased by HK\$144 million, of which GS Superhighway shared HK\$135 million, ESW Ring Road and Phase I West shared HK\$2 million and HK\$7 million respectively.

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

	Six months ended	
	31st December	
	2005	2006
	<i>HK\$' million</i>	<i>HK\$' million</i>
GS Superhighway	742	877
ESW Ring Road	90	92
Phase I West	28	35
	<u>860</u>	<u>1,004</u>

Total expenses for the six months ended 31st December, 2006, including toll operation expenses, depreciation and amortisation charges and general and administrative expenses increased 13% from HK\$275 million of the last corresponding period to HK\$311 million, mainly due to an increase in depreciation and amortisation charges. Under the Group's accounting policies, depreciation and amortisation charges of toll expressways and additional investment costs are calculated based on the ratio of actual traffic volume in the period compared to the total expected traffic volume over the remaining concession period of the respective jointly controlled entity, depreciation and amortisation charges increased HK\$35 million in the current interim period as a result of the strong growth of traffic flow.

The Group's earnings before interest and tax increased by 18% to HK\$911 million from HK\$769 million of the last corresponding period, mainly due to the robust growth in toll revenue and benefits from Renminbi appreciation under the Renminbi exchange rate regime since late July 2005, including an exchange gain on retranslation of the United States dollar bank loans borrowed by a PRC jointly controlled entity.

The net profit attributable to equity holders of the Company, benefiting from an exchange gain of HK\$86 million arising from Renminbi appreciation, grew 21% to HK\$682 million from HK\$564 million despite a 20% increase in finance costs to HK\$161 million from HK\$134 million. The increase in finance costs was due to interest rate hikes of the United States dollar bank loans.

#### **INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of HK15.00 cents per ordinary share in respect of the financial year ending 30th June, 2007 (30th June, 2006: HK11.50 cents). The dividend will be paid on or about 23rd March, 2007 to those shareholders as registered at the close of business on 22nd March, 2007.

#### **CLOSURE OF REGISTER**

The Register of Members of the Company will be closed from Monday, 19th March, 2007 to Thursday, 22nd March, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 16th March, 2007.

## **BUSINESS REVIEW**

Along with the continuous and vigorous development of the Guangdong Province and the Pearl River Delta region (the “PRD”), the three expressway projects invested by the Group, namely, GS Superhighway, ESW Ring Road and Phase I West, have recorded continued steady growth in both traffic flow and toll revenue during the period under review. For the six months ended 31st December, 2006, aggregate average daily traffic and aggregate average daily toll revenue of the three expressways recorded an increase of 17% and 14% to 429,000 vehicles and RMB11,532,000 respectively. Total toll revenue for the six months reached RMB2,122 million. Benefiting from Shenzhen’s traffic restrictions on heavy trucks on certain of its local roads since mid-September 2006, GS Superhighway’s average daily toll revenue has exceeded RMB10 million in the fourth quarter of 2006.

Construction of Phase II of the Western Delta Route, connecting to Phase I West, has been commenced since December 2005 and the works are in progress. Preparation works for Phase III of the Western Delta Route are underway.

In view of the continuing expansion and improvement in the PRD expressway network, substantial increase in car ownership, rapid growth in passenger and freight transportation and logistics industry, all lead to tremendous traffic demand in the region. The Group expects that GS Superhighway, ESW Ring Road and Phase I West will become increasingly important components of the PRD expressway network, and that they will continue to enjoy stable growth in traffic flow and toll revenue. At the same time, they provide the Group with opportunities to explore and develop new projects.

Benefiting from the continuing Renminbi appreciation, the GS Superhighway joint venture company has recorded exchange gains on retranslation of the United States dollar bank loans. As at 31st December, 2006, the Group has HK\$3.3 billion cash on hand and unutilized syndicated bank loan facility of HK\$3.6 billion. This strong financial position has secured the Group’s funding capabilities to capture future project investment.

### ***Guangzhou-Shenzhen Superhighway (“GS Superhighway”)***

GS Superhighway is the main artery of PRD’s expressway network, connecting with the four major cities, Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, GS Superhighway has exhibited strong growth. Average daily traffic rose 23% to 320,000 vehicles and average daily toll revenue grew 15% to RMB9,968,000. Total toll revenue in the six months amounted to RMB1,834 million, demonstrating that GS Superhighway still has capacity for increasing traffic throughput.

Shenzhen has implemented a traffic restriction policy on heavy trucks on certain of its local roads since mid-September 2006, requiring heavy trucks entering into the Huanggang Border Crossing to travel directly to GS Superhighway through the Huanggang toll station. The joint venture company offered concession tariff to these heavy trucks which therefore brought a positive return to GS Superhighway.

The joint venture company has persisted in upgrading its service standard and improving its ancillary facilities. During the period under review, it has completed the construction of Nanping toll station connecting Nanping Expressway in Shenzhen and the expansion of Huanggang toll station in collaboration with Shenzhen's traffic restriction on heavy trucks. It has also deployed resources to enhance the safety facilities, strengthen the patrol and rescue services aiming to improve emergency handling efficiency and minimize traffic congestion caused by traffic accidents. As a result, the number of accidents, casualty, as well as the number of traffic congestion caused had been significantly reduced. Currently, the joint venture company is actively expanding the Futian, Fuyong and Xinqiao toll stations and increasing the number of traffic CCTV along the superhighway. Upon completion of the aforesaid works, the traffic throughput of GS Superhighway will be further enhanced.

After friendly negotiation, the joint venture company has agreed in principle, subject to approval of the Guangdong Provincial Government, to take up RMB725.14 million, a part of the additional investment of the Group incurred during the construction of the GS Superhighway. The above will not have a material impact on the results of the operation of the Group.

Due to difficulties in changing the original land use to utilize land parcels already acquired within the interchanges and along the GS Superhighway for property development and that the operation of space under elevated sections for shops has primarily ceased for some time due to various constraints, the above two projects will not be further proceeded with by the joint venture company.

With the continuous economic development of Guangdong Province and the expansion of the PRD expressway network, together with the rapid increase in car ownership, the Group believes that the traffic flow and toll revenue of GS Superhighway will maintain growth. To cater for the increasing traffic demand, the joint venture company has been actively studying the feasibility of widening GS Superhighway to 10 lanes.

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

ESW Ring Road connects to GS Superhighway, Guangzhou Nansha Port Expressway, Phase I West, Guangfo Expressway and major feeder roads of Guangzhou. It plays a vital role in relieving the pressure of traffic congestion in the inner city of Guangzhou and in providing a speedy route passing through Guangzhou en route to other destinations. ESW Ring Road is a major trunk route in the expressway network in the PRD and Guangzhou.

To meet increasing traffic needs, Guangzhou has been developing its city and road facilities quickly, by constructing and expanding the road network. During the period under review, a local toll free road, running parallel to a portion of the south-east section of ESW Ring Road, was opened. This has resulted in mild traffic diversion from ESW Ring Road, and thus a slower traffic growth of the project. The Group believes that the traffic and toll revenue of this project may experience a slower growth in the coming year until this mild diversion has been fully digested. Average daily toll revenue rose 1% to RMB1,168,000 and average daily traffic dropped 2% to 82,000 vehicles. Total toll revenue in the six months was RMB215 million.

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

Phase I West connects to ESW Ring Road in the north and National Highway 105 and Bigui Road in the south. It is currently the only expressway directly linking Guangzhou and Shunde.

Phase I West continued to achieve robust growth in both traffic flow and toll revenue. During the period under review, average daily traffic was 27,000 vehicles, an increase of 21% over the last corresponding period. Average daily toll revenue was RMB396,000, an increase of 21% over the last corresponding period. Total toll revenue in the six months reached RMB73 million.

With the continuing rapid economic development and the increasing inter-city business activities between Guangzhou and Shunde, the Group believes that Phase I West will continue to grow in traffic flow and toll revenue.

### ***Phases II and III of the Western Delta Route (“Phase II West” and “Phase III West”)***

Phase II West is a 46 km expressway with 6 lanes in dual directions, connecting to Phase I West in the north, and National Highway 105 and the proposed western expressway of Zhongshan in the south. The project, in which the Group owns a 50% interest, has already commenced construction in December 2005. According to the latest estimation, total investment (excluding interest during construction) is approximately RMB4,900 million. The joint venture agreement has been approved by the relevant authorities.

Phase III West is a 38 km expressway project to link up Phase II West to Zhongshan and Zhuhai. In September 2005, the Group conditionally amended the agreements with the PRC partner of Phase I West (same partner as Phase II West) to invest, construct and operate Phase III West. Currently, preparation works are underway.

Upon the completion of Phase II West and Phase III West, the Western Delta Route will link up the major cities including Guangzhou, Foshan, Zhongshan and Zhuhai and will become a strategic route on the western bank of the PRD.

### ***Hong Kong–Zhuhai–Macau Bridge Project***

According to the latest news released by the Hong Kong Special Administrative Region, the Central Government is highly supportive of the Hong Kong-Zhuhai-Macau Bridge project. The State Council has recently set up a taskforce with a deputy director of the National Development and Reform Commission as its convener to expedite the progress of the Hong Kong-Zhuhai-Macau Bridge project. The taskforce has held its first meeting in January 2007. The Group is confident that it will be in an advantageous position to assume an important role in this project when it proceeds to the tendering stage.

## FINANCIAL REVIEW

### *Liquidity and Financial Resources*

Resulting from stable cash flow generated from its assets, the Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to the equity holders of the Company) were further improved to 31% (30th June, 2006: 33%) and 15% (30th June, 2006: 18%) respectively. The gearing structure is set out below :

	2006	
	As at 30th June <i>HK\$' million</i>	As at 31st December <i>HK\$' million</i>
Total debt	5,283	<b>5,138</b>
Net debt ( <i>Note</i> )	1,875	<b>1,552</b>
Total assets	16,076	<b>16,319</b>
Equity attributable to the equity holders of the Company	<u>10,300</u>	<u><b>10,619</b></u>
Total debt/Total assets	33%	<b>31%</b>
Net debt/ Equity attributable to the equity holders of the Company	<u><b>18%</b></u>	<u><b>15%</b></u>

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

As at 31st December, 2006, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,492 million (30th June, 2006: HK\$4,642 million), with the following profile :

- (a) 99.9% (30th June, 2006: 98%) was bank loans and 0.1 % (30th June, 2006: 2%) was other loans; and
- (b) 72% (30th June, 2006: 71%) was denominated in United States dollars and 28% (30th June, 2006: 29%) was denominated in Renminbi.

The net current assets of the Group increased by 6% from HK\$3,065 million as at 30th June, 2006 to HK\$3,246 million as at 31st December, 2006.

In October 2005, the Group successfully completed a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3.6 billion and the facility was undrawn as at 30th June and 31st December, 2006.

As at 31st December, 2006, the Group's available and undrawn facility and bank balances and cash amounted to approximately HK\$6,873 million (30th June, 2006: HK\$6,614 million). Together with stable cash dividend from the Group's jointly controlled entity, the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"), the Group's funding capabilities have been further strengthened for planned and potential investment opportunities given its solid deposits, cash holdings as well as the available undrawn facility on hand.

### ***Warrants***

The warrants of the Company carrying subscription rights in aggregate of HK\$365,890,598 were created in registered form on 5th August, 2003 which conferred the right to registered holders to subscribe for shares of the Company at an initial subscription price of HK\$4.18 per share exercisable during the period from 6th August, 2003 to 5th August, 2006 ("Subscription Rights"). By the date of expiry, the Subscription Rights of HK\$357,499,863 (representing 98% of the aggregate Subscription Rights) were exercised by registered holders to convert into 85,526,283 shares of the Company.

### ***Debt Maturity Profile***

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 31st December, 2006 as compared to that at 30th June, 2006 is shown as follows :

	<b>2006</b>	
	As at 30th June	As at 31st December
Repayable within 1 year	6%	5%
Repayable between 1 to 5 years	22%	24%
Repayable beyond 5 years	72%	71%

Other than the above, the Group has no other bank borrowings both at 31st December and 30th June, 2006. Bank borrowings of the jointly controlled entities carry floating interest rates.

### ***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 Hong Kong dollars are pegged to United States dollars. In addition, the reform of Renminbi exchange rate regime, with an initial appreciation of approximately 2% in July 2005, benefited the Group as a whole as the revenue from business operations of the Group and its jointly controlled entities is mainly denominated in Renminbi.

### ***Treasury Policies***

The Group continues to adopt conservative 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. Cash is generally placed in short-term deposits denominated in United States dollars and Hong Kong dollars.

### ***Charges on Assets***

At 31st December, 2006, certain assets of the jointly controlled entities of the Group were pledged to banks to secure general banking facilities granted to the jointly controlled entities. The carrying amounts of the these assets are analysed as follows :

	<b>2006</b>	
	<b>As at 30th June</b>	<b>As at 31st December</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>
Toll expressways	6,942	<b>6,948</b>
Prepaid lease payments	84	<b>84</b>
Bank balances and deposits	358	<b>282</b>
Other assets	176	<b>209</b>
	<hr/>	<hr/>
	7,560	7,523
	<hr/> <hr/>	<hr/> <hr/>

The toll collection right of GS Superhighway JV was pledged to banks to secure its general banking facilities. In addition, 90% and 65% of the toll collection rights of Guangzhou E-S-W Ring Road Company Limited (“Ring Road JV”) and Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (“West Route JV”) respectively were pledged to banks for securing general banking facilities granted to the respective jointly controlled entities.

### ***Capital Commitments***

At 31st December, 2006, the Group had agreed, subject to the approval of relevant authorities, to make capital contributions to West Route JV for development of the Phases II and III of the Western Delta Route totalling approximately HK\$1,422 million (30th June, 2006: HK\$1,388 million). In addition, at 31st December, 2006, GS Superhighway JV and Ring Road JV had outstanding commitments in respect of the acquisition of property and equipment contracted but not provided for amounting to approximately HK\$12 million (30th June, 2006: HK\$19 million).

### ***Contingent Liabilities***

As at 31st December, 2006, there was no material change in contingent liabilities of the Group since 30th June, 2006.

### ***Material Acquisition or Disposal***

During the six months ended 31st December, 2006, there was no material acquisition or disposal of the Company’s subsidiaries or associated companies.



## **OTHER INFORMATION**

### ***Review of Interim Results***

The unaudited interim results of the Group for the six months ended 31st December, 2006 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

### ***Employees and Remuneration Policies***

As at 31st December, 2006, the Group, excluding the joint venture companies, had a total of 38 full-time staff, with 26 in Hong Kong and 12 in the PRC. The Group continues to provide competitive remuneration packages to employees based on the market situation and individual performance. In addition, the Group also provides various fringe benefits including medical and personal accident insurance coverage. Share options under the share option scheme of the Company and discretionary bonuses may be granted to employees based on individual performance and the Group's performance as well. In January 2007, the Company adopted a share award scheme to recognise the contributions by certain employees of the Group, to give incentive thereto for retention purpose and to attract suitable personnel for further development of the Group. To maintain the proficiency and productivity of our staff, training programs are conducted on an ongoing basis throughout the Group. In 2006, we launched a two year Graduate Trainee Program to develop potential young talent and to groom tomorrow's leaders for taking up management positions in the Group.

### ***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, 2006.

### ***Corporate Governance***

During the period under review, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### ***Model Code for Securities Transactions***

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code for securities transactions by the Company's Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on the specific enquiries made of all Directors, each of the Directors has confirmed that he has complied fully with the Model Code throughout the period under review.

On behalf of the Board

**Sir Gordon Ying Sheung WU** GBS, KCMG, FICE  
*Chairman*

Hong Kong, 1st March, 2007

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**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 31st December, 2006*

		<b>Six months ended</b>	
		<b>31st December</b>	
	<i>NOTES</i>	2005	2006
		<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	859,865	<b>1,004,325</b>
Other income	4	184,364	<b>217,707</b>
Toll operation expenses		(67,981)	<b>(71,397)</b>
Depreciation and amortisation charges		(153,112)	<b>(187,928)</b>
General and administrative expenses		(53,730)	<b>(51,915)</b>
Finance costs	5	(134,350)	<b>(161,109)</b>
Profit before tax	6	635,056	<b>749,683</b>
Income tax expense	7	(60,723)	<b>(56,126)</b>
Profit for the period		<u>574,333</u>	<u><b>693,557</b></u>
Attributable to:			
Equity holders of the Company		563,795	<b>681,747</b>
Minority interests		10,538	<b>11,810</b>
Profit for the period		<u>574,333</u>	<u><b>693,557</b></u>
Dividends paid	8	<u>368,310</u>	<u><b>504,564</b></u>
Earnings per share	9	<i>HK Cents</i>	<i>HK Cents</i>
Basic		<u>19.52</u>	<u><b>22.99</b></u>
Diluted		<u>19.40</u>	<u><b>22.98</b></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 31st December, 2006

	<i>NOTES</i>	30th June, 2006 <i>(audited)</i> <i>HK\$' 000</i>	31st December, 2006 <i>(unaudited)</i> <i>HK\$' 000</i>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property and equipment		9,380,957	9,459,828
Additional investment cost in jointly controlled entities		1,763,351	1,734,640
Investment in toll expressway project under development		47,157	48,275
Prepaid lease payments		123,901	124,499
Balances with jointly controlled entities		1,166,667	1,179,727
		<u>12,482,033</u>	<u>12,546,969</u>
<b>Current Assets</b>			
Inventories		2,251	2,556
Other receivables, deposits and prepayments		96,421	93,906
Other receivable from an outside joint venture partner		82,455	84,491
Prepaid lease payments		4,591	4,705
Pledged bank balances and deposits	10	357,620	282,197
Bank balances and cash	10	3,050,869	3,303,731
		<u>3,594,207</u>	<u>3,771,586</u>
<b>Total Assets</b>		<u><u>16,076,240</u></u>	<u><u>16,318,555</u></u>

	<i>NOTES</i>	30th June, 2006 <i>(audited)</i> HK\$' 000	31st December, 2006 <i>(unaudited)</i> HK\$' 000
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		294,962	296,803
Reserves		10,005,217	10,321,741
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		10,300,179	10,618,544
Minority interests		35,656	40,393
		<hr/>	<hr/>
<b>Total Equity</b>		10,335,835	10,658,937
		<hr/>	<hr/>
<b>Non-current Liabilities</b>			
Bank and other loans		4,376,578	4,283,822
Balances with outside joint venture partners		640,917	646,375
Deferred tax liabilities		193,449	204,294
		<hr/>	<hr/>
		5,210,944	5,134,491
		<hr/>	<hr/>
<b>Current Liabilities</b>			
Other payables, accruals and deposits received		135,905	150,934
Bank and other loans		264,987	207,796
Other payable to a jointly controlled entity		99,618	112,547
Other interest payable		7,984	8,843
Tax liabilities		20,967	45,007
		<hr/>	<hr/>
		529,461	525,127
		<hr/>	<hr/>
<b>Total Liabilities</b>		5,740,405	5,659,618
		<hr/>	<hr/>
<b>Total Equity and Liabilities</b>		16,076,240	16,318,555
		<hr/> <hr/>	<hr/> <hr/>

Notes :-

## 1. BASIS OF PREPARATION

The condensed consolidated 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” issued by International Accounting Standards Board (“IASB”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at initial recognition, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new IFRSs”) issued by the IASB that are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006, 1st March, 2006, 1st May, 2006 or 1st June, 2006. The adoption of the new IFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

### Equity-settled share-based payment transactions

*Share options granted to employees after 1st July, 2005*

The fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

In prior periods, the Group had taken advantage of the transitional provisions set out in IFRS 2 “Share-based Payment” issued by IASB. In relation to share options granted on or before 7th November, 2002 and share options granted after 7th November, 2002 and vested before 1st July, 2005 (effective date of IFRS 2), the Group had not recognised and expensed those share options.

### Financial guarantee

In the current period, the Group has applied IAS 39 and IFRS 4 (Amendments) “Financial Guarantee Contracts” which is effective for accounting periods beginning on or after 1st January, 2006. A financial guarantee contract is defined by IAS 39 “Financial Instruments: Recognition and Measurement” as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

Prior to 1st July, 2006, financial guarantee contracts were not accounted for in accordance with IFRS 4 “Insurance Contracts” and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 “Revenue”.

The Company has entered into an agreement to provide a financial guarantee granted in favour of a bank in the People’s Republic of China (the “PRC”) for a loan granted to 廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited. The Group had recognised such loan in the condensed consolidated balance sheet. Accordingly, the directors determine that there is no material impact on the results and the financial position of the Group upon application of IAS 39 and IFRS 4 (Amendments).

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendment or interpretations, except for IFRIC 12 “Service Concession Arrangements”, will have no material impact on the results and the financial position of the Group to be presented. IFRIC 12 sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements. The Group is not yet in a position to quantify the effect of IFRIC 12 on the results and the financial position of the Group to be presented.

IAS 1 (Amendment)	Capital disclosures <sup>1</sup>
IFRS 7	Financial instruments: disclosures <sup>1</sup>
IFRS 8	Operating segments <sup>2</sup>
IFRIC 10	Interim financial reporting and impairment <sup>3</sup>
IFRIC 11	IFRS 2 - Group and treasury share transactions <sup>4</sup>
IFRIC 12	Service concession arrangements <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1st November, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2008.

### 3. 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 expressways, net of business tax.

The Group has only one business segment, namely the development, operation and management of toll expressways in the PRC through its jointly controlled entities established in the PRC.

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

#### 4. OTHER INCOME

	<b>Six months ended</b>	
	<b>31st December</b>	
	2005	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Imputed interest income on interest-free loan made to a jointly controlled entity	11,622	10,951
Interest income from :		
A jointly controlled entity	14,328	17,836
Bank deposits	43,530	89,219
Held-to-maturity debt securities, net of premium amortised of nil (six months ended 31st December, 2005: HK\$3,914,000)	3,822	—
Net exchange gain	96,747	85,765
Rental income	2,563	1,503
Management fee income from jointly controlled entities	2,200	1,756
Others	9,552	10,677
	<u>184,364</u>	<u>217,707</u>

#### 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>31st December</b>	
	2005	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on :		
Bank loans	116,055	141,735
Loan made by an outside joint venture partner	149	150
Other loans wholly repayable within five years	2,477	131
Imputed interest on :		
Interest-free loan made by outside joint venture partners	12,694	12,663
Other interest-free loan	134	147
	<u>131,509</u>	<u>154,826</u>
Other financial expenses ( <i>Note</i> )	2,841	6,283
	<u>134,350</u>	<u>161,109</u>

*Note* : The amount represents the fees and related charges in connection with the revolving credit and term loan facilities in the aggregate amount of HK\$3,600,000,000 offered to the Group by a syndicate of banks which is available for the period of 5 years commencing from 13th October, 2005. At 30th June, 2006 and 31st December, 2006, the Group did not utilise any part of such facilities.

## 6. PROFIT BEFORE TAX

	Six months ended 31st December	
	2005	2006
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging :		
Amortisation of :		
Additional investment cost in jointly controlled entities	25,130	28,711
Prepaid lease payments	2,245	2,435
Depreciation of :		
Toll expressways	121,696	148,869
Other property and equipment	4,041	7,913
Loss / (gain) on disposal of property and equipment	11,921	(126)
	<u>129,992</u>	<u>189,802</u>

## 7. INCOME TAX EXPENSE

	Six months ended 31st December	
	2005	2006
	HK\$'000	HK\$'000
The tax charge comprises :		
PRC income tax	43,812	50,145
Deferred taxation	16,911	5,981
	<u>60,723</u>	<u>56,126</u>

The PRC income tax charge represents the Group's proportionate share of the provision for the PRC foreign enterprise income tax of 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, a jointly controlled entity of the Group, amounting to approximately HK\$49,773,000 (six months ended 31st December, 2005: HK\$43,720,000) which is calculated at 7.5% (six months ended 31st December, 2005: 7.5%) of the estimated assessable profit for the period after the 5-year exemption from the PRC foreign enterprise income tax expired on 31st December, 2004 and the provision of the PRC withholding tax on the income received and receivable from the Group's jointly controlled entities amounting to approximately HK\$372,000 (six months ended 31st December, 2005: HK\$92,000) which is calculated at the rates prevailing in the PRC.

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



## 8. DIVIDENDS

A final dividend of HK17.00 cents per share (year ended 30th June, 2005: HK12.75 cents) for the year ended 30th June, 2006 was paid to shareholders in October, 2006.

The directors have declared that an interim dividend in respect of the year ending 30th June, 2007 of HK15.00 cents (year ended 30th June, 2006: HK11.50 cents) per share totalling approximately HK\$445,249,000 (year ended 30th June, 2006: HK\$332,267,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 22nd March, 2007.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data :

	<b>Six months ended</b>	
	<b>31st December</b>	
	2005	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>563,795</u>	<u>681,747</u>
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,888,568,233	2,965,201,942
Effect of dilutive potential ordinary shares :		
Warrants	17,194,198	942,189
Share options	192,453	425,068
	<u>2,905,954,884</u>	<u>2,966,569,199</u>

## 10. PLEDGED BANK BALANCES AND DEPOSITS, BANK BALANCES AND CASH

	30th June,	<b>31st December,</b>
	2006	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pledged bank balances and deposits of jointly controlled entities	<u>357,620</u>	<u>282,197</u>
Bank balances and cash :		
The Group	3,013,899	3,272,728
Jointly controlled entities	36,970	31,003
	<u>3,050,869</u>	<u>3,303,731</u>
	<u>3,408,489</u>	<u>3,585,928</u>

## 11. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31st December, 2006 amounted to approximately HK\$15,793,428,000 (30th June, 2006: HK\$15,546,779,000). The Group's net current assets at 31st December, 2006 amounted to approximately HK\$3,246,459,000 (30th June, 2006: HK\$3,064,746,000).

## 12. EVENTS AFTER THE BALANCE SHEET DATE

On 25th January, 2007, the Company announced the adoption of an employees' share award scheme (the "Scheme"). On the same date, a total of 1,940,000 ordinary shares of the Company were awarded to certain directors and an employee of the Group with the vesting dates between 25th January, 2007 and 25th January, 2009 subject to fulfilment of certain terms and conditions under the Scheme. The Group is in the process of making an assessment of the potential impact of the shares awarded but is not yet in a position to determine the impact of these shares awarded on the results of operations and financial position of the Group.

Details of the Scheme are set out in the announcement of the Company dated 25th January, 2007.

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. Lijia HUANG, Mr. Cheng Hui JIA, Mr. Philip Tsung Cheng FEI<sup>(#)</sup>, Mr. Lee Yick NAM<sup>(#)</sup>, Mr. Kojiro NAKAHARA<sup>(#)</sup>, Dr. Gordon YEN<sup>(#)</sup> and Mr. Barry Chung Tat MOK.

<sup>(#)</sup> *Independent Non-Executive Director*

\* *For identification only*

Please also refer to the published version of this announcement in South China Morning Post.