



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, 2005

Highlights

- Net profit attributable to equity holders of the Company rose 31% to HK\$564 million or HK19.5 cents per share
- Interim dividend of HK11.5 cents per share
- Phase II of the Western Delta Route commenced construction in December 2005
- Aggregate daily toll revenue of the three toll expressways increased 11% to RMB10.2 million and aggregate daily traffic rose 22% to 366,000 vehicles
- Net cash on hand of HK\$2.5 billion as at 31st December, 2005

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, 2005. For the six months ended 31st December, 2005, the toll revenue of the Group increased 16% to HK\$860 million from HK\$741 million of the last corresponding period, mainly due to a 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 (the “GS Superhighway”) contributed 86% or HK\$742 million, whereas the Guangzhou East-South-West Ring Road (the “ESW Ring Road”) and the Phase I of the Western Delta Route (the “Phase I West”) contributed 11% or HK\$90 million and 3% or HK\$28 million respectively. The rise in toll revenue was HK\$119 million, of which the GS Superhighway shared HK\$92 million, the ESW Ring Road and the Phase I West shared HK\$19 million and HK\$8 million respectively.

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

	Six months ended 31st December	
	2004 <i>HK\$ million</i>	2005 <i>HK\$ million</i>
GS Superhighway	650	742
ESW Ring Road	71	90
Phase I West	20	28
	<hr/>	<hr/>
	741	860
	<hr/> <hr/>	<hr/> <hr/>

Total expenses for the six months ended 31st December, 2005, including toll operation expenses, depreciation and amortisation charges, and general and administrative expenses were up 10% from HK\$249 million of the last corresponding period to HK\$275 million, mainly due to an increase in depreciation and amortisation charges. Since, 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 under review compared to the total expected traffic volume over the remaining concession period of the respective jointly controlled entity, depreciation and amortisation charges increased HK\$24 million in this period as a result of the stronger than expected growth of traffic flow.

The Group's earnings before interest and tax grew 37% to HK\$769 million from HK\$561 million of the last corresponding period, mainly due to robust growth in toll revenue and benefits from Renminbi appreciation under the new Renminbi exchange rate regime since late July 2005, including an exchange gain on retranslation of the US dollar bank loans borrowed by a jointly controlled PRC entity.

The net profit attributable to equity holders of the Company, benefiting from an exchange gain of HK\$97 million arising from Renminbi appreciation, grew 31% to HK\$564 million from HK\$430 million despite a 29% increase in finance costs to HK\$134 million from HK\$104 million and the PRC income tax of HK\$44 million. The increase in finance costs was due to interest rate hikes of the US dollar bank loans while the PRC income tax, exempted for the last corresponding period, has been charged at 7.5% on the profit of the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (the "GS Superhighway JV") following the expiry of the 5-year tax exemption period in December 2004.

Impact of Revised International Accounting Standard

Revised International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" was adopted for the financial period under review. The Group's consolidated income statement for the last corresponding period and the consolidated balance sheet as at 30th June, 2005 were re-stated to incorporate necessary adjustments made for certain assets and liabilities on the balance sheet at fair values. The revised accounting standard has no impact on the Group's cashflow position while its financial impact on the Group for the period under review is insignificant.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK11.5 cents per ordinary share in respect of the financial year ending 30th June, 2006 (30th June, 2005: HK10.25 cents). The dividend will be paid on or about 23rd March, 2006 to those shareholders as registered at the close of business on 22nd March, 2006.

CLOSE OF REGISTERS

The register of members and warrant holders of the Company will be closed from Friday, 17th March, 2006 to Wednesday, 22nd March, 2006, 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 Share and Warrant Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 16th March, 2006.

BUSINESS REVIEW

The Guangdong Province is one of the foremost winners in the very successful continuing PRC economic reform. The Pearl River Delta region ("PRD") becomes not only the PRC's, but also one of the world's, most important production and manufacturing centre. The three expressway projects invested by the Group, namely, the Guangzhou-Shenzhen Superhighway ("GS Superhighway"), the Guangzhou East-South-West Ring Road ("ESW Ring Road") and the Phase I of the Western Delta Route ("Phase I West"), all lie in the core strategic areas of the PRD. During the period under review, the three expressways have sustained continuing steady growth in both traffic flow and toll revenue. For the six months ended 31st December, 2005, the aggregate average daily traffic and aggregate average daily toll revenue of the three expressways recorded an increase of 21.6% and 11.3% to 366,000 vehicles and RMB10.16 million respectively. The total toll revenues in the six months reached RMB1,870 million.

In view of the continuous economic growth in the PRD, the successive completion of the road networks in the province, the substantial increase in car ownership and the fast sustaining growth in passenger and freight transportation, the strategic importance of the Group's expressways become increasingly apparent. The Group expects the traffic flow and toll revenue of the GS Superhighway, the ESW Ring Road and the Phase I West will maintain a continuous stable growth.

Construction of the Phase II of the Western Delta Route, connecting to the Phase I West, has been commenced in December 2005, whereas the preparation works of the Phase III of the Western Delta Route are underway. The Group believes that the whole Western Delta Route, upon completion, will become a strategic route on the western bank of the PRD.

Guangzhou-Shenzhen Superhighway ("GS Superhighway")

The 122.8 km GS Superhighway, with totally 6 lanes in dual directions, is the main artery in the expressway network of the PRD. It connects four major cities, namely Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, the average daily traffic reached 260,000 vehicles, an increase of 16.7% as compared to the last corresponding period. The average daily toll revenue grew 9.4% to RMB8.67 million. Total toll revenue in the six months under review reached RMB1,600 million.

In accordance with the unitoll policy of the Guangdong Provincial Government, the toll system of the GS Superhighway has successfully connected to and integrated with the Guangdong provincial unitoll collection system, which by December 2005, already covers ten expressways in the PRD, including the GS Superhighway, the Dongguan's Changhu Expressway (newly opened in September 2005 and connecting to the GS Superhighway), the Humen Bridge and others, providing drivers with a convenient "non-stop" rapid transportation network and toll payment service.

In addition, the Group believes the traffic growth of the GS Superhighway will further benefit from the newly constructed Shajing toll station in Shenzhen which opened to traffic in January 2006 and the coming connection to the Shenzhen Nanping Expressway at Tang Lang Shan toll station planned to open to traffic in mid-2006.

During the period under review, the joint venture company has persisted in enhancing the highway's service standards and improved its ancillary traffic facilities, including installation of additional road lightings, traffic monitoring closed circuit televisions, changeable message signboards and light reflective road studs along the main alignment. In 2006, it plans to expand certain toll stations with heavy traffic to facilitate increasing traffic throughput and to continue its study of the feasibility in widening the GS Superhighway from its current total 6 lanes to 10 lanes.

The Group believes that with the sustained robust economic growth of Guangdong Province, the continuing improvement in living standard and per capita income, and increase in car ownership, the traffic flow and toll revenue of the GS Superhighway will maintain stable growth.

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

The 38 km ESW Ring Road, with totally 6 lanes in dual directions, is a major route in the PRD and Guangzhou expressway network. The ESW Ring Road connects to the GS Superhighway in the east, connects to the Nansha Port Expressway and Phase I West in the south, links with the Guangfo Expressway in the west, and also several inter-city expressways which are under construction. 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.

During the period under review, the ESW Ring Road exhibited robust growth in traffic flow and toll revenue. The average daily traffic grew 36% to 84,000 vehicles and the average daily toll revenue rose 21% to RMB1.16 million. Total toll revenue in the six months under review reached RMB210 million.

With the steady economic growth of Guangzhou and the successive completion of the neighboring expressway network, the Group believes that the traffic volume and toll revenue of this expressway will rise continually.

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

The 15 km Phase I West, with totally 6 lanes in dual directions, is a new expressway on the western bank of the PRD. It connects to the ESW Ring Road in the north and the National Highway 105 and Bigui Road of Shunde in the south.

The Phase I West recorded remarkable growth in both traffic flow and toll revenue since it opened to traffic. During the period under review, the average daily traffic increased 38% to 22,000 vehicles and the average daily toll revenue rose 34% to RMB327,000 as compared with the last corresponding period. Total toll revenue in the six months under review reached RMB60 million.

Currently, the Phase I West is the only expressway linking Guangzhou and Shunde. With the increasing inter-city activities between the two cities accompanied by further economic development, the Group believes that both the traffic flow and toll revenue of Phase I West will continue to grow.

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

The Phase II West is a 46 km expressway with totally 6 lanes in dual directions. It will connect to the Phase I West in the north and the National Highway 105 and the proposed western expressway of Zhongshan in the south. The project, in which the Group owns a 50% interest, commenced construction in December 2005. The construction period is planned to be three years. The total investment, excluding interest during construction, is approximately RMB4,900 million according to present estimation.

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

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

Hong Kong–Zhuhai–Macau Bridge Project

It was reported in the media that the feasibility study of the project has been completed. The project details and the bidding arrangements are pending governments’ announcement. The Group believes that it is well positioned to play an important role in the project once it proceeds.

FINANCIAL REVIEW

Liquidity and Financial Resources

Resulting from stable cash flow generated from its assets, the Group's gearing ratio (net debt to equity attributable to the equity holders of the Company) was further improved to 24% (30th June, 2005: 27%). The Group's total debt to total assets ratio was stable at 34% (30th June, 2005: 35%) and the gearing structure is set out below:

	As at 30th June <i>HK\$ million</i>	2005 As at 31st December <i>HK\$ million</i>
Total debt	5,399	5,354
Net debt (<i>Note</i>)	2,602	2,395
Total assets	15,394	15,645
Equity attributable to the equity holders of the Company	<u>9,535</u>	<u>9,785</u>
Total debt/Total assets	35%	34%
Net debt/Equity attributable to the equity holders of the Company	<u>27%</u>	<u>24%</u>

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, 2005, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,727 million (30th June, 2005: HK\$4,784 million) with the following profile:

- (a) 98% was bank loans (30th June, 2005: 98%) and 2% was other loans (30th June, 2005: 2%); and
- (b) 71% was denominated in US dollars (30th June, 2005: 72%) and 29% was denominated in Renminbi (30th June, 2005: 28%).

The net current assets of the Group increased 8% from HK\$2,497 million as at 30th June, 2005 to HK\$2,695 million as at 31st December, 2005.

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, 2005 as compared to that at 30th June, 2005 is shown as follows:

	As at 30th June	2005 As at 31st December
Repayable within 1 year	4%	4%
Repayable between 1 to 5 years	36%	22%
Repayable beyond 5 years	60%	74%

The Group has no unconsolidated bank borrowings both at 31st December and 30th June, 2005. Bank borrowings of the jointly controlled entities carry floating interest rates.

The extension of the bank loan maturities for the Guangzhou E-S-W Ring Road Company Limited (the “Ring Road JV”) and the GS Superhighway JV by approximately an average of 3.5 years subsequent to the respective refinancings in June and August 2005 has further improved the Group’s liquidity position by reducing the proportion of bank and other borrowings repayable between 1 to 5 years from 36% to 22%. Furthermore, in October 2005, the Group successfully completed a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3.6 billion. All these have further strengthened the Group’s funding capabilities.

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 US 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 given 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 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. Cash is generally placed in short-term deposits denominated in US dollars and Hong Kong dollars.

Charges on Assets

As at 31st December, 2005, certain assets of the jointly controlled entities of the Group were pledged to banks with a total net book value of approximately HK\$7,703 million (30th June, 2005: HK\$7,519 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 <i>HK\$ million</i>	2005 As at 31st December <i>HK\$ million</i>
Toll expressways	6,989	6,992
Prepaid lease payments	84	84
Bank deposits	334	473
Other assets	112	154
	<u>7,519</u>	<u>7,703</u>

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

Capital Commitments

As at 31st December, 2005, the Group had agreed, subject to the approvals of the relevant authorities, to make capital contribution to the West Route JV for development of the Phases II and III of the Western Delta Route amounting to approximately HK\$1,372 million (30th June, 2005: HK\$805 million for the Phase II of the Western Delta Route) which is expected to be contributed over the coming three calendar years. In addition, the GS Superhighway JV, the Ring Road JV and the West Route JV had outstanding commitments in respect of acquisition of property and equipment contracted but not provided for amounting to approximately HK\$8 million (30th June, 2005: HK\$4 million).

Contingent Liabilities

As at 31st December, 2005, there was no material change in contingent liabilities of the Group since 30th June, 2005.

Material Acquisition or Disposal

During the six months ended 31st December, 2005, there was no material acquisition or disposal of the Company’s subsidiaries or associates.

OTHER INFORMATION

Review of Interim Results

The unaudited interim results of the Group for the six months ended 31st December, 2005 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Employees and Remuneration Policies

As at 31st December, 2005, the Group, excluding the joint venture companies, had a total of 40 full-time staff, with 34 in Hong Kong and 6 in the PRC. The Group aims to offer competitive remuneration packages that are regularly monitored in relation to the market. On-going staff development programs are provided within the Group to encourage continuous learning and improvements at work.

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, 2005.

Corporate Governance

During the period under review, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices (“CG-Code”) contained in Appendix 14 of the Listing Rules. Amendments to the articles of association of the Company to reflect the requirements under code provision A.4.2 on the retirement of all directors by rotation at least once every three years were approved by shareholders at the annual general meeting held on 19th October, 2005.

Model Code for Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“the Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all Directors who confirmed compliance with the required standard set out in the Code for the period under review.

Written guidelines on no less exacting terms than the Code relating to securities transaction for the relevant employees were adopted by the Company with effect from 1st July, 2005.

Audit Committee

The terms of reference of the Audit Committee were revised in accordance with the provisions set out in the CG-Code on 1st July, 2005. The Company’s interim report for the six months ended 31st December, 2005 has been reviewed by the Audit Committee.

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

Hong Kong, 27th February, 2006

CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 31st December, 2005*

		Six months ended	
		31st December,	
	<i>NOTES</i>	2004	2005
		<i>(unaudited and restated)</i>	<i>(unaudited)</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	741,290	859,865
Other income	4	67,939	184,364
Toll operation expenses		(72,831)	(67,981)
Depreciation and amortisation charges		(129,596)	(153,112)
General and administrative expenses		(46,102)	(53,730)
Finance costs	5	(104,415)	(134,350)
Profit before tax	6	456,285	635,056
Income tax expenses	7	(17,258)	(60,723)
Profit for the period		<u>439,027</u>	<u>574,333</u>
Attributable to:			
Equity holders of the Company		429,986	563,795
Minority interests		9,041	10,538
Profit for the period		<u>439,027</u>	<u>574,333</u>
Dividends	8	<u>295,908</u>	<u>332,303</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	9		
Basic		<u>14.91</u>	<u>19.52</u>
Diluted		<u>14.83</u>	<u>19.40</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 31st December, 2005

	30th June, 2005 <i>(audited and restated)</i> HK\$'000	31st December, 2005 <i>(unaudited)</i> HK\$'000
ASSETS		
Non-current Assets		
Property and equipment	9,360,085	9,415,490
Additional investment cost in jointly controlled entities	1,815,123	1,789,993
Investment in toll expressway project under development	46,315	46,849
Prepaid lease payments	124,193	124,961
Loans to jointly controlled entities	1,094,995	1,121,130
	<u>12,440,711</u>	<u>12,498,423</u>
Current Assets		
Inventories	1,762	2,231
Other receivables, deposits and prepayments	70,850	92,602
Interest receivable from a joint venture partner	79,655	89,020
Prepaid lease payments	4,435	4,435
Held-to-maturity debt securities	737,591	—
Pledged bank deposits	333,534	473,373
Bank balances and cash	1,725,461	2,485,227
	<u>2,953,288</u>	<u>3,146,888</u>
Total Assets	<u>15,393,999</u>	<u>15,645,311</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	288,838	288,876
Reserves	9,246,200	9,496,284
	<u>9,535,038</u>	<u>9,785,160</u>
Equity attributable to equity holders of the Company		
Minority interests	33,109	37,195
	<u>9,568,147</u>	<u>9,822,355</u>

	30th June, 2005 <i>(audited and restated)</i> HK\$'000	31st December, 2005 <i>(unaudited)</i> HK\$'000
Non-current Liabilities		
Bank and other loans	4,587,932	4,560,033
Loans from joint venture partners to jointly controlled entities	614,892	626,803
Deferred tax liabilities	166,890	183,801
	<u>5,369,714</u>	<u>5,370,637</u>
Current Liabilities		
Other payables, accruals and deposits received	140,492	153,604
Bank and other loans	196,069	166,784
Interest payable to a jointly controlled entity	97,651	108,576
Other interests payable	4,304	5,663
Tax liabilities	17,622	17,692
	<u>456,138</u>	<u>452,319</u>
Total Liabilities	<u>5,825,852</u>	<u>5,822,956</u>
Total Equity and Liabilities	<u>15,393,999</u>	<u>15,645,311</u>

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".

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, 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, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new or revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") and Interpretations (hereinafter collectively referred to as "new IFRSs") issued by the International Accounting Standards Board ("IASB") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new IFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been

applied retrospectively. The adoption of the new IFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Share-based payments

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 shares 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.

The Group has taken 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 has not recognised and expensed those share options. All share options granted in prior years were vested before 1st July, 2005 and no options were granted during the current period. Accordingly, the adoption of IFRS 2 has no impact to the interim financial report of the current period.

Financial instruments

In the current period, the Group has applied the revised IAS 39 "Financial Instruments: Recognition and Measurement". Revised IAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, requires retrospective application.

Prior to the application of revised IAS 39, interest-free loans were stated at their nominal value. Revised IAS 39 requires that all financial assets and financial liabilities to be measured at fair value on initial recognition. Interest-free loans are measured at amortised cost using the effective interest method at subsequent balance sheet dates. Because revised IAS 39 requires retrospective application, comparative figures have been restated. The Group's retained profits as at 1st July, 2004 have been increased by approximately HK\$84,018,000. Profit for the six months ended 31st December, 2005 has been decreased by approximately HK\$1,206,000 (six months ended 31st December, 2004: approximately HK\$807,000) (see Note 2A for financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	Six months ended	
	31st December,	
	2004	2005
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Imputed interest income on non-current interest-free loans to a jointly controlled entity	12,331	11,622
Imputed interest expense on non-current interest-free loans from joint venture partners to a jointly controlled entity	(13,015)	(12,694)
Imputed interest expense on non-current other interest-free loan	(123)	(134)
	<u>(807)</u>	<u>(1,206)</u>
Decrease in profit for the period	<u>(807)</u>	<u>(1,206)</u>
Decrease in profit attributable to equity holders of the Company	<u>(807)</u>	<u>(1,206)</u>

Analysis of decrease in profit for the period in accordance with the presentation of the condensed consolidated income statement:

	Six months ended	
	31st December,	
	2004	2005
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in other income	12,331	11,622
Increase in finance costs	(13,138)	(12,828)
	<u> </u>	<u> </u>
Decrease in profit for the period	<u>(807)</u>	<u>(1,206)</u>

Effect on the balance sheet as at 30th June, 2005 are as follows:

	As originally stated	Effect of revised IAS 39	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans to jointly controlled entities	1,201,151	(106,156)	1,094,995
Bank and other loans - due after one year	(4,600,399)	12,467	(4,587,932)
Loans from joint venture partners to jointly controlled entities	(790,986)	176,094	(614,892)
	<u> </u>	<u> </u>	<u> </u>
Total effect on assets and liabilities	<u>(4,190,234)</u>	<u>82,405</u>	<u>(4,107,829)</u>
Retained profits	<u>1,569,326</u>	<u>82,405</u>	<u>1,651,731</u>

The financial effects of the application of the new IFRSs to the Group's equity on 1st July, 2004 are summarised below:

	As originally stated	Adjustments	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retained profits	1,341,371	84,018	1,425,389
Minority interests	—	32,239	32,239
	<u> </u>	<u> </u>	<u> </u>
Total effects on equity	<u>1,341,371</u>	<u>116,257</u>	<u>1,457,628</u>

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 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 management consider that the Group has only one geographical segment.

4. OTHER INCOME

	Six months ended 31st December,	
	2004 HK\$'000 (restated)	2005 HK\$'000
Interest income from:		
A jointly controlled entity (interest-bearing loans)	9,864	14,328
A jointly controlled entity (interest-free loans) (note 2A)	12,331	11,622
A joint venture partner	8,243	—
Bank deposits	3,289	43,530
Held-to-maturity debt securities (net premium amortised of HK\$3,914,000 (six months ended 31st December, 2004: HK\$28,846,000))	16,379	3,822
Net exchange gain	—	96,747
Rental income	10,637	2,563
Management fee income from jointly controlled entities	2,200	2,200
Others	4,996	9,552
	<u>67,939</u>	<u>184,364</u>

5. FINANCE COSTS

	Six months ended 31st December,	
	2004 HK\$'000 (restated)	2005 HK\$'000
Interest on:		
Bank loans	78,475	116,055
Loan from a jointly controlled entity	10,297	—
Loan from a joint venture partner (interest-bearing loan)	149	149
Loans from joint ventured partners (interest-free loans) (note 2A)	13,015	12,694
Other interest-free loan (note 2A)	123	134
Other loans wholly repayable within five years	2,356	2,477
	<u>104,415</u>	<u>131,509</u>
Other financial expenses (note)	—	2,841
	<u>104,415</u>	<u>134,350</u>

Note: The amount represents the arrangement fees and related charges in connection with the revolving credit and term loan facilities in the aggregate amount of HK\$3.6 billion offered to the Group by a syndicate of banks which is available for the period of five years commencing from 13th October, 2005. At 31st December, 2005, the Group did not utilise any part of such facilities.

6. PROFIT BEFORE TAX

	Six months ended 31st December,	
	2004	2005
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of:		
Additional investment cost in jointly controlled entities	21,996	25,130
Prepaid lease payments	—	2,245
Depreciation of:		
Toll expressways	105,005	121,696
Other property and equipment	2,595	4,041
Loss on disposal of property and equipment	—	11,921
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSES

	Six months ended 31st December,	
	2004	2005
	HK\$'000	HK\$'000
The tax charge comprises:		
PRC income tax	133	43,812
Deferred taxation	17,125	16,911
	<u> </u>	<u> </u>
	<u>17,258</u>	<u>60,723</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\$43,720,000 (six months ended 31st December, 2004: Nil) which is calculated at 7.5% (six months ended 31st December, 2004: Nil) of the estimated assessable profit for the period from 1st July to 31st December, 2005 (the five-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 from the Group's jointly controlled entity amounting to approximately HK\$92,000 (Six months ended 31st December, 2004: HK\$133,000) 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

	Six months ended 31st December,	
	2004	2005
	HK\$'000	HK\$'000
Interim dividend declared HK11.50 cents (six months ended 31st December, 2004: HK10.25 cents) per share	295,692	332,267
Final dividend for the year ended 30th June, 2005 (year ended 30th June, 2004) paid on shares issued subsequent to approval of the financial statements	216	36
	<u> </u>	<u> </u>
	<u>295,908</u>	<u>332,303</u>

A final dividend of HK12.75 cents per share (year ended 30th June, 2004: HK12.5 cents) for the year ended 30th June, 2005 was paid to shareholders in October 2005.

The directors have declared that an interim dividend in respect of the year ending 30th June, 2006 of HK11.50 cents (year ended 30th June, 2005: HK10.25 cents) per share totalling approximately HK\$332,267,000 (year ended 30th June, 2005: HK\$295,692,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 22nd March, 2006.

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:

	Six months ended	
	31st December,	
	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(restated)</i>	
Earnings for the purpose of basic and diluted earnings per share	<u>429,986</u>	<u>563,795</u>
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,883,598,357	2,888,568,233
Effect of dilutive potential ordinary shares:		
Warrants	15,164,614	17,194,198
Share options	<u>88,418</u>	<u>192,453</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,898,851,389</u>	<u>2,905,954,884</u>

10. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31st December, 2005 amounted to approximately HK\$15,192,992,000 (30th June, 2005 as restated: HK\$14,937,861,000). The Group's net current assets at 31st December, 2005 amounted to approximately HK\$2,694,569,000 (30th June, 2005: HK\$2,497,150,000).

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. Kojiro NAKAHARA(#), Mr. Philip Tsung Cheng FEI(#), Mr. Lee Yick NAM(#), and Dr. Gordon YEN(#), and Mr. Barry Chung Tat MOK.

(#) Independent Non-Executive Director

** for identification only*

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