

HHTI

Hopewell Highway Infrastructure Limited
合和公路基建有限公司

2005-2006

Interim Report 中期報告



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 RMB 10.2 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

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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
	741	860

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 restated 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.

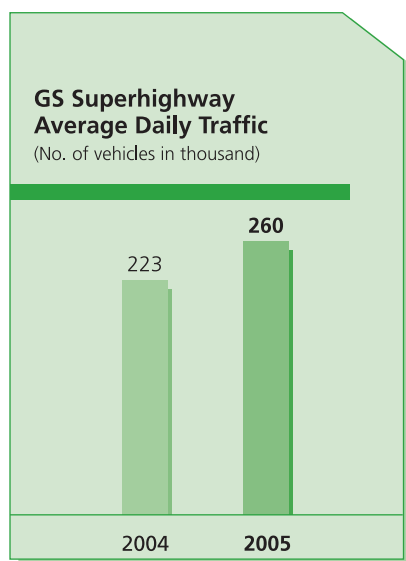
The Guangdong Province is one of the foremost winners in the very successful continuing PRC economic reform. The Pearl River Delta region ("PRD") becomes not only the PRC's, but also one of the world's, most important production and manufacturing centre. The three expressway projects invested by the 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 RMB 10.16 million respectively. The total toll revenues in the six months reached RMB 1,870 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.

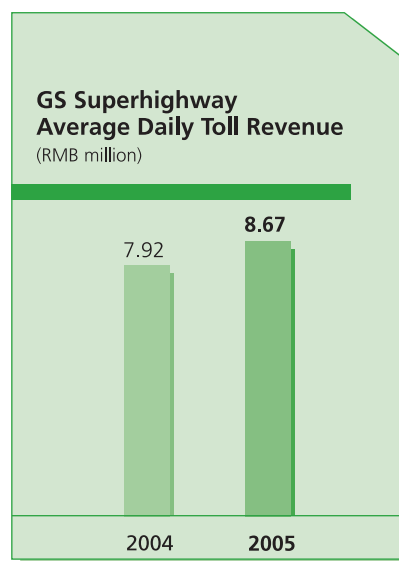
Construction of the Phase II of the Western Delta Route, connecting to the Phase I West, has been commenced in December 2005, whereas the preparation works of the Phase III of the Western Delta Route are underway. The Group believes that the whole Western Delta Route, upon completion, will become a strategic 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 RMB 8.67 million. Total toll revenue in the six months under review reached RMB 1,600 million.



July - December



July - December

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.

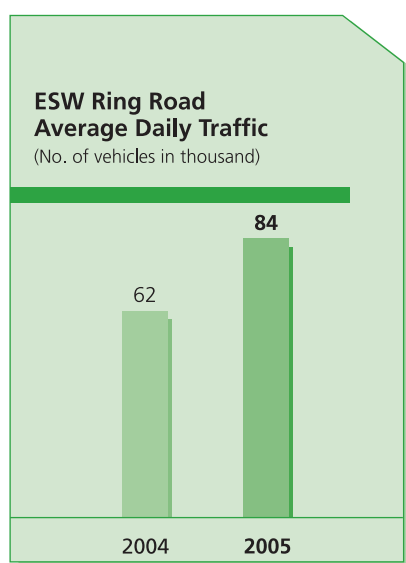
During the period under review, the joint venture company has persisted in enhancing the highway's service standards and improved its ancillary traffic facilities, including installation of additional road lightings, traffic monitoring closed circuit televisions, changeable message signboards and light 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.

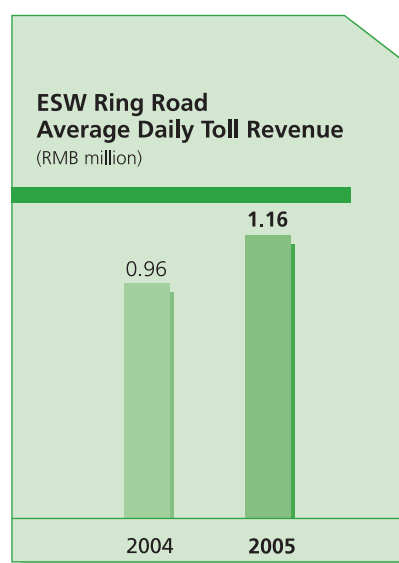
Guangzhou East-South-West Ring Road (“ESW Ring Road”)

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 RMB 1.16 million. Total toll revenue in the six months under review reached RMB 210 million.



July - December



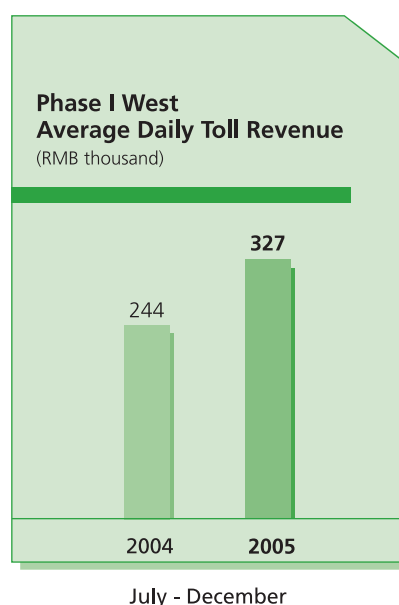
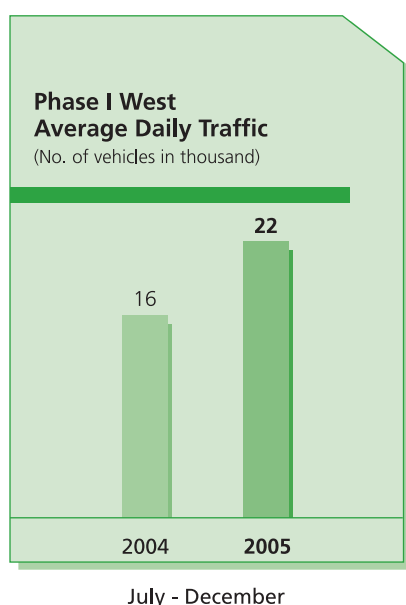
July - December

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 RMB 327,000 as compared with the last corresponding period. Total toll revenue in the six months under review reached RMB 60 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 RMB 4,900 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.

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:

	2005	
	As at 30th June, HK\$ million	As at 31st December, HK\$ million
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	9,535	9,785
Total debt/Total assets	35%	34%
Net debt/Equity attributable to the equity holders of the Company	27%	24%

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:

	2005	
	As at 30th June,	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:

2005		
	As at 30th June, <i>HK\$ million</i>	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
	7,519	7,703

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.

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.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December, 2005, 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⁾						
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱⁱ⁾ (interests of controlled corporation)	Other interests			
Gordon Ying Sheung WU	300,000 ^(v)	6,249,403	2,191,000 ^(v)	11,124,999	3,068,000 ^(vi)	–	22,933,402	0.79%
Eddie Ping Chang HO	2,165,600 ^(vii)	–	–	–	–	–	2,165,600	0.07%
Thomas Jefferson WU	550,000 ^(viii)	4,480,500	–	82,000	–	–	5,112,500	0.18%
Leo Kwok Kee LEUNG	–	1,000	–	–	–	2,000,000	2,001,000	0.07%
Kojiro NAKAHARA	–	1,067	–	–	–	–	1,067	0.00%

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 from 6th August, 2003 to 5th August, 2006.
- (iii) The 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 2,165,600 shares held by Mr. Eddie Ping Chang HO included personal interests of 1,824,046 shares, family interests of 136,554 shares and corporate interests of 205,000 shares.
- (viii) The interests in 550,000 shares represented beneficial interests of Mr. Thomas Jefferson WU.

(B) Associated Corporations

Hopewell Holdings Limited ("HHL")

Directors	HHL Shares				Underlying shares of equity derivatives ⁽ⁱⁱ⁾ (i.e. HHL share options)	Total interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱ⁾ (interests of controlled corporation)	Other interests			
Gordon Ying Sheung WU	71,744,032	21,910,000 ⁽ⁱⁱⁱ⁾	111,250,000	30,680,000	–	235,584,032	26.22%
Eddie Ping Chang HO	24,240,462	1,365,538	2,050,000	–	–	27,656,000	3.08%
Thomas Jefferson WU	27,130,000	–	820,000	–	–	27,950,000	3.11%
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%
Barry Chung Tat MOK	–	–	–	–	2,500,000	2,500,000	0.28%

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 interests in underlying shares of equity derivatives represented interests in HHL share options granted under the share option scheme of HHL adopted on 1st November, 2003 to subscribe for HHL Shares, details of which are set out below:

Director	Date of grant	Exercise price per share HK\$	Number of outstanding options	Exercise period
Barry Chung Tat MOK	02/09/2005	19.94	2,500,000	02/03/2006 – 01/03/2009

- (iii) 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 and underlying shares of equity derivatives of associated corporations were long positions.

Save as aforesaid, as at 31st December, 2005, 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.

Share Options

- (a) 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"). The Option Scheme will expire on 15th July, 2013.
- (b) There was no movement in the share options under the Option Scheme during the period ended 31st December, 2005 and as at 31st December, 2005, the outstanding share options were as follows:-

	Date of grant	Exercise Price HK\$	Balance of outstanding options at 01/07/2005	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Balance of outstanding options at 31/12/2005	Exercise period	Closing price before date of grant falling within the period HK\$
Director									
Leo Kwok Kee LEUNG	08/09/2004	4.875	2,000,000	-	-	-	2,000,000	08/09/2004-07/09/2007	N/A
Employee									
	08/09/2004	4.875	400,000	-	-	-	400,000	08/09/2004-07/09/2007	N/A
Total			2,400,000	-	-	-	2,400,000		

All options granted are exercisable from the date of grant.

Substantial Shareholders

As at 31st December, 2005 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 ^(A)	74.77%
Delta Roads Limited	Interests of controlled corporation	2,160,000,000 ^(A)	74.77%
Dover Hills Investments Limited	Interests of controlled corporation	2,160,000,000 ^(A)	74.77%
Supreme Choice Investments Limited	Interests of controlled corporation	2,160,000,000 ^(A)	74.77%
Hopewell Holdings Limited	Interests of controlled corporation and Beneficial owner ^(B)	2,160,200,000 ^(B)	74.78%

Notes:

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

(B) 200,000 shares were held as beneficial owner and the remaining 2,160,000,000 shares were held through interests of controlled corporations referred to in Note (A).

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, 2005.

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.

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.

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 Transactions

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.

Remuneration Committee

The Company established a Remuneration Committee on 1st July, 2005 with written terms of reference in compliance with the CG-Code. The Committee comprises three members with the majority being Independent Non-Executive Directors. During the six months ended 31st December, 2005, the Committee has reviewed the Directors' fees for the year ending 30th June, 2006.

Disclosure under Chapter 13.18 of the Listing Rules

A loan agreement was entered into by a wholly-owned subsidiary of the Company for a facility in the aggregate amount of HK\$3,600,000,000 with a tenor of 5 years from 13th October, 2005. Pursuant to the loan agreement, it will be an event of default if the Company ceases at any time to be a subsidiary of Hopewell Holdings Limited.

By order of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 27th February, 2006

Board of Directors

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Mr. Eddie Ping Chang HO
Vice Chairman

Mr. Thomas Jefferson WU
Managing Director

Mr. Alan Chi Hung CHAN
Deputy Managing Director

Ir. Leo Kwok Kee LEUNG

Mr. Lijia HUANG

Mr. Cheng Hui JIA

Mr. Philip Tsung Cheng FEI[#]

Mr. Lee Yick NAM[#]

Mr. Kojiro NAKAHARA[#]

Dr. Gordon YEN[#]

Mr. Barry Chung Tat MOK

[#] *Independent Non-Executive Directors*

Audit Committee

Mr. Lee Yick NAM *Chairman*

Mr. Kojiro NAKAHARA

Mr. Philip Tsung Cheng FEI

Remuneration Committee

Mr. Eddie Ping Chang HO *Chairman*

Mr. Lee Yick NAM

Dr. Gordon YEN

Company Secretary

Mr. Peter Yip Wah LEE

Registered Office

P.O. Box 309GT,
Ugland House, South Church Street,
George Town, Grand Cayman,
Cayman Islands

Principal Place of Business

Room 64-02, 64th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Tel : (852) 2528 4975
Fax : (852) 2861 2068, (852) 2861 0177

Solicitors

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

Web Page

www.hopewellhighway.com

Key Dates

Interim results announcement
Close of Registers

Interim dividend payable
(HK11.5 cents per ordinary share)

Principal Bankers⁺

Bank of China
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
Bank of East Asia, Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
BNP Paribas
Calyon
China Construction Bank Corporation
Citibank, N.A.
Industrial and Commercial Bank of China (Asia) Limited
Liu Chong Hing Bank Limited
Mizuho Corporate Bank, Limited
Nanyang Commercial Bank Limited
Shanghai Commercial Bank Limited
Shenzhen Development Bank
Sumitomo Mitsui Banking Corporation
Tai Fung Bank Limited
Wing Lung Bank Limited

⁺ *names arranged in alphabetical order*

Cayman Islands Share and Warrant Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T., 2nd Floor, Strathvale House,
North Church Street, George Town,
Grand Cayman, Cayman Islands,
British West Indies

Hong Kong Share and Warrant Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Tel : (852) 2862 8628
Fax : (852) 2529 6087

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (Stock Code : 737)
Warrants (Stock Code : 951)

American Depositary Receipt

CUSIP No.	439554106
Trading Symbol	HHILY
ADR to share ratio	1:10
Depositary Bank	Citibank, N.A., U.S.A.

Investor Relations

Investor Relations Manager
Tel : (852) 2862 5683
Fax : (852) 2861 2068
Email : ir@hopewellhighway.com

27th February, 2006
17th March, 2006 to 22nd March, 2006
(both days inclusive)
23rd March, 2006

(as at 27th February, 2006)

Deloitte. **德勤**

TO THE BOARD OF DIRECTORS OF HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED **合和公路基建有限公司**

(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 19 to 34.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st December, 2005.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27th February, 2006

Condensed Consolidated Income Statement

For the six months ended 31st December, 2005

	NOTES	Six months ended 31st December,	
		2004 (unaudited and restated) HK\$'000	2005 (unaudited) HK\$'000
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		439,027	574,333
Attributable to:			
Equity holders of the Company		429,986	563,795
Minority interests		9,041	10,538
Profit for the period		439,027	574,333
Dividends	8	295,908	332,303
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	9		
Basic		14.91	19.52
Diluted		14.83	19.40

Condensed Consolidated Balance Sheet

At 31st December, 2005

	30th June, 2005 <i>(audited and restated)</i>	31st December, 2005 <i>(unaudited)</i>
NOTES	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	12,440,711	12,498,423
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	10 737,591	—
Pledged bank deposits	333,534	473,373
Bank balances and cash	1,725,461	2,485,227
	2,953,288	3,146,888
Total Assets	15,393,999	15,645,311

Condensed Consolidated Balance Sheet *(continued)*

At 31st December, 2005

	NOTES	30th June, 2005 <i>(audited and restated)</i> HK\$'000	31st December, 2005 <i>(unaudited)</i> HK\$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	11	288,838	288,876
Reserves		9,246,200	9,496,284
Equity attributable to equity holders of the Company		9,535,038	9,785,160
Minority interests		33,109	37,195
		9,568,147	9,822,355
Non-current Liabilities			
Bank and other loans	12	4,587,932	4,560,033
Loans from joint venture partners to jointly controlled entities		614,892	626,803
Deferred tax liabilities	13	166,890	183,801
		5,369,714	5,370,637
Current Liabilities			
Other payables, accruals and deposits received		140,492	153,604
Bank and other loans	12	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
		456,138	452,319
Total Liabilities		5,825,852	5,822,956
Total Equity and Liabilities		15,393,999	15,645,311

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st December, 2005

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	PRC statutory reserves HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st July, 2004									
- As original stated	288,059	7,104,602	76,560	9,088	360,087	1,341,371	9,179,767	32,239	9,212,006
- Effect of changes in accounting policies (note 2)	—	—	—	—	—	84,018	84,018	—	84,018
- As restated	288,059	7,104,602	76,560	9,088	360,087	1,425,389	9,263,785	32,239	9,296,024
Exchange loss on translation of financial statements of operations outside Hong Kong (recognised directly in equity)	—	—	—	(6,002)	—	—	(6,002)	—	(6,002)
Profit for the period	—	—	—	—	—	429,986	429,986	9,041	439,027
Total recognised income and expense	—	—	—	(6,002)	—	429,986	423,984	9,041	433,025
Shares issued at a premium on exercise of warrants	163	6,665	—	—	—	—	6,828	—	6,828
Shares issued at a premium on exercise of share options	200	9,560	—	—	—	—	9,760	—	9,760
Final dividend paid for year ended 30th June, 2004	—	—	—	—	(360,087)	(216)	(360,303)	—	(360,303)
Dividend paid to a minority shareholder of a subsidiary	—	—	—	—	—	—	—	(7,339)	(7,339)
Transfer between reserves	—	—	8,429	—	—	(8,429)	—	—	—
Amount set aside for dividend payments for year ended 30th June, 2005	—	—	—	—	295,692	(295,692)	—	—	—
At 31st December, 2004	288,422	7,120,827	84,989	3,086	295,692	1,551,038	9,344,054	33,941	9,377,995
At 1st July, 2005									
- As original stated	288,838	7,138,075	84,989	3,131	368,274	1,569,326	9,452,633	33,109	9,485,742
- Effect of changes in accounting policies (note 2)	—	—	—	—	—	82,405	82,405	—	82,405
- As restated	288,838	7,138,075	84,989	3,131	368,274	1,651,731	9,535,038	33,109	9,568,147
Exchange gain on translation of financial statements of operations outside Hong Kong (recognised directly in equity)	—	—	—	53,070	—	—	53,070	—	53,070
Profit for the period	—	—	—	—	—	563,795	563,795	10,538	574,333
Total recognised income	—	—	—	53,070	—	563,795	616,865	10,538	627,403
Shares issued at a premium on exercise of warrants	38	1,529	—	—	—	—	1,567	—	1,567
Final dividend paid for year ended 30th June, 2005	—	—	—	—	(368,274)	(36)	(368,310)	—	(368,310)
Dividend paid to a minority shareholder of a subsidiary	—	—	—	—	—	—	—	(6,452)	(6,452)
Transfer between reserves	—	—	9,617	—	—	(9,617)	—	—	—
Amount set aside for dividend payments for year ending 30th June, 2006	—	—	—	—	332,267	(332,267)	—	—	—
At 31st December, 2005	288,876	7,139,604	94,606	56,201	332,267	1,873,606	9,785,160	37,195	9,822,355

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December, 2005

	Six months ended 31st December,	
	2004 <i>(unaudited)</i> HK\$'000	2005 <i>(unaudited)</i> HK\$'000
Net cash from operating activities	655,860	764,893
Net cash from investing activities:		
Acquisition of held-to-maturity debt securities	(301,119)	—
Redemption and disposal of held-to-maturity debt securities	1,089,446	733,677
Interest received from held-to-maturity debt securities	64,711	25,825
Increase in pledged bank deposits	(94,088)	(139,839)
Other investing cashflows	(21,777)	2,748
	737,173	622,411
Net cash used in financing activities		
Interest paid	(79,563)	(117,173)
Repayment of bank and other loans	(82,628)	(181,415)
Dividends paid to:		
- equity holders of the Company	(360,303)	(368,310)
- a minority shareholder of a subsidiary	(7,339)	(6,452)
Other financing cashflows	21,309	(23,170)
	(508,524)	(696,520)
Net increase in cash and cash equivalents	884,509	690,784
Cash and cash equivalents at beginning of the period	386,645	1,725,461
Effect of foreign exchange rate changes	(570)	68,982
Cash and cash equivalents at end of the period		
Bank balances and cash	1,270,584	2,485,227

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).

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 <i>(unaudited)</i> HK\$'000	2005 <i>(unaudited)</i> HK\$'000
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)
Decrease in profit for the period	(807)	(1,206)
Decrease in profit attributable to equity holders of the Company	(807)	(1,206)

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(continued)*

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

	As originally stated HK\$'000	Effect of revised IAS 39 HK\$'000	As restated HK\$'000
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)
Total effect on assets and liabilities	(4,190,234)	82,405	(4,107,829)
Retained profits	1,569,326	82,405	1,651,731

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

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
	67,939	184,364

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
	104,415	131,509
Other financial expenses (note)	—	2,841
	104,415	134,350

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
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

7. INCOME TAX EXPENSES

	Six months ended 31st December,	
	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
The tax charge comprises:		
PRC income tax	133	43,812
Deferred taxation	17,125	16,911
	17,258	60,723

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 (the "GS Superhighway JV"), 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.

7. INCOME TAX EXPENSES *(continued)*

Pursuant to relevant laws and regulations in the PRC, the Group's jointly controlled entities are entitled to certain exemption and relief from PRC foreign enterprise 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%.

Pursuant to an approval from the Guangdong Provincial Tax Bureau, the rate of foreign enterprise income tax payable by the GS Superhighway JV in respect of its income arising from the operation of toll expressway and related service facilities (excluding hotels and entertainment facilities) is 15% and the 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 the PRC accounting standards and tax regulations. The first year for which the GS Superhighway JV recorded profits for the PRC tax purposes was the year ended 31st December, 2000 and the five-year exemption from foreign enterprise income tax was expired in December 2004. For the next five years, it will enjoy a 50% reduction in the rate of foreign enterprise income tax payable in respect of such income. Pursuant to another approval from the Guangdong Provincial Tax Bureau, the 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 expressway and related service facilities for ten years commencing from the first profit-making year.

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 (the "Ring Road JV"), another jointly controlled entity of the Group, in respect of its income arising from the operation of the toll expressway is 15%. Pursuant to an approval from the Guangzhou Municipal Government, the Ring Road 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 the 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 the toll expressway operations and related service facilities, the 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 the Ring Road JV has not yet recorded profits for the PRC tax purposes, the exemptions from paying foreign enterprise income tax and local income tax have so far had no effect on the Ring Road JV.

廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (the "West Route JV") commenced 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 the PRC income tax for the West Route JV has been made as the jointly controlled entity has no assessable profit for the PRC tax purposes.

For the six months ended 31st December, 2005

8. DIVIDENDS

	Six months ended 31st December,	
	2004 HK\$'000	2005 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
	295,908	332,303

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 equity holders 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 HK\$'000 (restated)	2005 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	429,986	563,795
	Number of shares	Number 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	88,418	192,453
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,898,851,389	2,905,954,884

10. HELD-TO-MATURITY DEBT SECURITIES

During the period, all the debt securities were redeemed on maturity.

11. SHARE CAPITAL

	Number of shares	Nominal amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 30th June, 2005 and 31st December, 2005	10,000,000,000	1,000,000
Issued and fully paid:		
At 1st July, 2005	2,888,382,761	288,838
Issue of shares upon exercise of warrants	374,919	38
At 31st December, 2005	2,888,757,680	288,876

Warrants

Pursuant to the written resolutions of the then 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 in aggregate of HK\$365,890,598 were created and issued in registered form on 5th August, 2003 which confer the right to registered holders to subscribe for shares of the Company at an initial subscription price per share of HK\$4.18, (subject to adjustment) exercisable during a period of three years commencing 6th August, 2003 (the "Subscription Rights").

During the period, Subscription Rights of HK\$1,567,161 were exercised by registered holders to convert into 374,919 ordinary shares of the Company.

At 31st December, 2005, the Subscription Rights of HK\$339,315,496 were outstanding, exercise of which in full would result in the issue of 81,175,956 ordinary shares of the Company of HK\$0.1 each.

For the six months ended 31st December, 2005

11. SHARE CAPITAL *(continued)*

Share options

A share option scheme (the "Option Scheme") was adopted by the Company pursuant to the written resolutions of the then 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 Option Scheme shall be valid and effective for a period of ten years and the purpose of which is to provide the Company with a means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to (i) any executive or non-executive directors including independent non-executive directors or any employees of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group; (iv) any chief executives, or substantial shareholders of the Company; (v) any associates of director, chief executives, or substantial shareholders of the Company; and (vi) any employees of substantial shareholder of the Company or for such other purposes as the Board of Directors may approve from time to time.

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

No option was granted or exercised under the Option Scheme during the period.

12. BANK AND OTHER LOANS

	30th June, 2005 HK\$'000 <i>(restated)</i>	31st December, 2005 HK\$'000
Bank loans, secured	4,700,941	4,641,676
Other loans, unsecured	83,060	85,141
	4,784,001	4,726,817
The borrowings are repayable as follows:		
On demand or within one year	196,069	166,784
In the second year	259,132	208,588
In the third to fifth years inclusive	1,479,210	858,344
After five years	2,849,590	3,493,101
	4,784,001	4,726,817
Less: Amounts due for settlement within one year (shown under current liabilities)	(196,069)	(166,784)
Amounts due for settlement after one year	4,587,932	4,560,033

12. BANK AND OTHER LOANS *(continued)*

Analysis of borrowings by currency:

	30th June, 2005	
	US\$ loans equivalent <i>HK\$'000</i>	RMB loans equivalent <i>HK\$'000</i> <i>(restated)</i>
Bank loans	3,430,943	1,269,998
Other loans	—	83,060
	3,430,943	1,353,058

	31st December, 2005	
	US\$ loans equivalent <i>HK\$'000</i>	RMB loans equivalent <i>HK\$'000</i>
Bank loans	3,346,249	1,295,427
Other loans	—	85,141
	3,346,249	1,380,568

13. DEFERRED TAX LIABILITIES

The deferred tax liabilities represent the Group's proportionate share of such liabilities 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 <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July, 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
Charge (credit) for the period	22,676	(11,200)	11,476
At 30th June, 2005	206,890	(40,000)	166,890
Charge for the period	10,911	6,000	16,911
At 31st December, 2005	217,801	(34,000)	183,801

For the six months ended 31st December, 2005

14. 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).

15. CAPITAL COMMITMENTS

At 31st December, 2005, the Group had agreed, subject to the approval 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 totalling approximately HK\$1,372 million (30th June, 2005: HK\$805 million for the Phase II of the Western Delta Route).

In addition, at 31st December, 2005, 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).

16. PLEDGE OF ASSETS

At 31st December, 2005, certain assets of its 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 are analysed as follows:

	30th June, 2005 <i>HK\$'000</i>	31st December, 2005 <i>HK\$'000</i>
Toll expressways	6,989,550	6,991,652
Prepaid lease payments (land use rights)	83,608	84,107
Bank deposits	333,534	473,373
Other assets	112,189	154,143
	7,518,881	7,703,275

At 31st December, 2005, the toll collection right of the GS Superhighway JV has been pledged to banks to secure general banking facilities granted to the jointly controlled entity. In addition, 90% and 65% of the toll collection rights of the Ring Road JV and the West Route JV respectively have been pledged to banks to secure general banking facilities granted to the respective jointly controlled entities.

