

1. CORPORATE REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated on 14th January, 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's ultimate holding company is Hopewell Holdings Limited, a public limited liability company incorporated in Hong Kong whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries and jointly controlled entities are set out in notes 32 and 15 respectively.

Pursuant to a group reorganisation ("Corporate Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 30th June, 2003.

On 23rd July, 2003, 2,156,879,750 shares of HK\$0.1 each were allotted and issued, credited as fully paid at par, on capitalisation of the sum of HK\$4,500 million due to the immediate holding company of the Company.

On 5th August, 2003, 720,000,000 new shares of the Company of HK\$0.1 each were issued at HK\$4.18 per share for cash through an initial public offering by way of placing and public offer.

The shares of the Company have been listed on the Stock Exchange with effect from 6th August, 2003.

The measurement currency of the operations of the Group's jointly controlled entities and a subsidiary is Renminbi ("RMB"). However, the financial statements of the Group are presented in Hong Kong dollars as the directors consider this presentation is more useful for its current and potential investors.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

The International Accounting Standards Board ("IASB") issued a number of new or revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs") and Interpretations (herein collectively referred to as "new IFRSs") which are not yet effective for the preparation of the financial statements for the year ended 30th June, 2005. The Group has not early adopted these new IFRSs in the financial statements for the year ended 30th June, 2005. The Group has commenced considering the potential impact of these new IFRSs but is not yet in a position to determine whether these new IFRSs would have any significant impact on how its results of operations and financial position are prepared and presented.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS *(continued)*

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. Currently, the Group does not expense the share options issued by the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and jointly controlled entities made up to each balance sheet date.

The results of operation of subsidiaries acquired or disposed of during the year and the share attributable to minority interests are accounted for in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The results of operation of jointly controlled entities are accounted for by proportionate consolidation as described below.

Subsidiaries

Subsidiaries are those entities in which the Company has control over the operations. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Interests in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in jointly controlled entities *(continued)*

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation based on the profit-sharing ratios specified in the relevant joint venture agreements. The Group's share of the income, expenses, assets and liabilities, of jointly controlled entities, other than the transactions and balances between the Group and jointly controlled entities, are consolidated with the equivalent items in the consolidated financial information on a line-by-line basis. Transactions and balances between the Group and the jointly controlled entities are eliminated to the extent of the Group's share of the relevant income, expenses, receivables and payables of the jointly controlled entities. Unrealised profits and losses arising on transactions with the jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Additional investment cost in jointly controlled entities

The Group has incurred additional development expenditure for the construction and development of the toll roads operated by the jointly controlled entities ("Additional Development Cost"), which were not accounted for by those entities. On proportionate consolidation, a portion of such costs, calculated based on the Group's interest in the jointly controlled entities, is included in the costs of toll roads. The remainder of such costs is carried as additional investment cost in jointly controlled entities and is amortised on the same basis adopted by the relevant jointly controlled entities in depreciating their toll roads.

On disposal of a jointly controlled entity, the attributable amount of unamortised Additional Development Cost is included in the determination of the profit or loss on disposal.

Property and equipment

Property and equipment other than construction in progress are stated at cost less accumulated depreciation and impairments losses, where appropriate. Improvements are capitalised while repairs and maintenance are charged to the income statement as incurred.

Construction in progress is not depreciated until the construction of the related assets is completed.

The cost of toll roads includes the Group's proportionate share of (i) the construction costs of the toll roads recorded in the jointly controlled entities' financial statements and (ii) the Additional Development Cost. The balance of the Additional Development Cost not included in the costs of toll roads has been presented separately as additional investment cost in jointly controlled entities.

Depreciation of toll roads is calculated to write off their costs, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume over the remaining period of the respective jointly controlled entities as estimated by management or by reference to traffic projection reports prepared by independent traffic consultants.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment *(continued)*

Depreciation of other property and equipment is calculated to write off their costs over their estimated useful lives, using the straight-line method, at 20% per annum.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in securities

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

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

Revenue recognition

Toll fee income from the operation of toll roads is recognised at the time of usage and when the tolls are received.

Interest income from capital contributed to and loans made to jointly controlled entities is recognised based on the applicable interest rates set out in the relevant joint venture agreements.

Other interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income, which consists primarily of income from leasing of spaces underneath certain portion of the toll road, renting of machinery and equipment to local contractors and leasing of spaces along the toll road for advertisement, is recognised on a straight-line basis over the term of the relevant leases.

Leasing

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in profit or loss for the year.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. Hong Kong dollars) at exchange rates prevailing on the balance sheet date. Income and expense items are translated into Hong Kong dollars at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to retirement benefit schemes are dealt with as payments to defined contribution plans where the obligations under the schemes of the Group and the jointly controlled entities are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

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

The tax currently payable is based on the results for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories, representing materials, spare parts and other consumable stores, are stated at lower of cost and net realisable value. Cost comprises all costs of purchases and other costs that have been incurred in bringing the inventories to their present location and condition and is calculated using the first in, first out method.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Loans to jointly controlled entities, other receivables, deposits and prepayments, and interest receivable from a joint venture partner

Loans to jointly controlled entities, other receivables, deposits and prepayments, and interest receivable from a joint venture partner are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Bank and other loans

Interest-bearing bank and other loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis to the profit or loss using effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other payables, accruals and deposits received, other interest payable, interest payable to a jointly controlled entity and loans from joint venture partners to jointly controlled entities

Other payables, accruals and deposits received, other interest payable, interest payable to a jointly controlled entity and loans from joint venture partners to jointly controlled entities are stated at their nominal value.

4. TURNOVER AND SEGMENT INFORMATION

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

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

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

5. OTHER OPERATING INCOME

	2004 HK\$'000	2005 HK\$'000
Interest income from:		
A jointly controlled entity	18,688	20,272
A joint venture partner	17,166	16,683
Bank deposits	8,837	26,507
Held-to-maturity debt securities (after netting off of amortisation of premium on acquisition of held-to-maturity debt securities of approximately HK\$40,826,000 (2004: HK\$48,087,000))	23,172	24,494
Rental income	7,446	20,734
Reimbursement of operating expenses from jointly controlled entities	4,400	4,400
Other income	9,479	6,572
	89,188	119,662

6. PROFIT FROM OPERATIONS

	2004 HK\$'000	2005 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
Current year	1,009	1,004
Under(over)provision in prior year	9	(145)
	1,018	859
Exchange losses, net	3,183	6,299
Staff costs (excluding directors)	56,359	64,881
Amortisation of:		
Additional investment cost in jointly controlled entities	39,306	45,829
Prepaid lease payments	–	4,435
Depreciation of:		
Toll roads	185,336	215,598
Other property and equipment	4,675	5,817
Loss (gain) on disposal/write-off of property and equipment	7	(80)
Loss on disposal of held-to-maturity debt securities	–	751

7. FINANCE COSTS

	2004 HK\$'000	2005 HK\$'000
Interest on:		
Bank loans	125,104	174,965
Loan from a jointly controlled entity	20,681	20,877
Loan from a joint venture partner	298	296
Other loan wholly repayable within five years	4,677	4,793
	150,760	200,931
Other financial expenses	37	–
Total borrowing costs	150,797	200,931

8. INCOME TAX EXPENSE

	2004 HK\$'000	2005 HK\$'000
The tax charge (credit) comprises:		
PRC income tax	237	34,819
Overprovision of income tax in prior year	(50)	–
Deferred taxation (note 27)	21,884	28,601
	22,071	63,420

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 ("GS Superhighway JV"), a jointly controlled entity of the Group, amounting to approximately HK\$34,544,000 (2004: Nil) which is calculated at 7.5% (2004: Nil) of the estimated assessable profit for the period from 1st January to 30th June, 2005 (the 5-year exemption from the PRC foreign enterprise income tax expired on 31st December, 2004) and the provision of the PRC withholding tax on the income received from the Group's jointly controlled entity amounting to approximately HK\$275,000 (2004: HK\$237,000) 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.

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

8. INCOME TAX EXPENSE *(continued)*

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 roads and related service facilities (excluding hotels and entertainment facilities) is 15% and the GS Superhighway JV is entitled to a 5-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 5 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 toll roads and related service facilities for 10 years commencing from the first profit-making year. The first year for which the GS Superhighway JV recorded profits for the PRC tax purpose was the year ended 31st December, 2000 and the 5-year exemption from foreign enterprise income tax was expired in December 2004.

Pursuant to an approval from the Guangzhou branch of the State Tax Bureau, the rate of foreign enterprise income tax payable by 廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), a jointly controlled entity of the Group, in respect of its income arising from the operation of the toll road is 15%. Pursuant to an approval from the Guangzhou Municipal Government, the Ring Road JV is entitled to a 5-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 5 years, it will enjoy a 50% reduction in the rate of foreign enterprise income tax payable. In respect of income arising from the toll road 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 10 years commencing from the first profit-making year. Because the Ring Road JV has not yet recorded profits for the PRC tax purpose, 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 ("West Route JV") commenced its operation 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.

8. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per the income statement as follows:

	2004 HK\$'000	2005 HK\$'000
Profit before tax	772,208	982,164
Tax at normal PRC income tax rate of 33%	254,829	324,114
Tax effect of income not taxable for tax purpose	(17,135)	(28,814)
Tax effect of expenses not deductible for tax purpose	43,343	52,247
Income tax on concessionary rate	(232,655)	(231,506)
Differential tax rate on temporary difference of jointly controlled entities	(26,261)	(52,621)
Overprovision of income tax in prior year	(50)	–
Income tax expense	22,071	63,420

9. DIVIDENDS

	2004 HK\$'000	2005 HK\$'000
Interim dividend paid of HK10.25 cents (2004: HK10 cents) per share	288,044	296,043
Final dividend paid for year ended 30th June, 2004 on shares issued subsequent to approval of financial statements	–	216
Final dividend proposed of HK12.75 cents (2004: HK12.5 cents) per share	360,087	368,274
	648,131	664,533

A final dividend in respect of the financial year 2005 of HK12.75 cents per share amounting to a total of approximately HK\$368,274,000 is proposed by the Board. The dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The amount has been accounted for as an appropriation of reserves in the year ended 30th June, 2005. The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these financial statements.

10. EARNINGS PER SHARE

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

	2004 HK\$'000	2005 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	734,775	900,917

	2004 Number of shares	2005 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,809,376,020	2,884,047,244
Effect of dilutive potential ordinary shares:		
Warrants	4,552,670	18,516,745
Share options	–	380,009
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,813,928,690	2,902,943,998

11. RETIREMENT BENEFITS PLANS

The aggregate numbers of employees of the Group and the jointly controlled entities were 2,448 and 2,585 at 30th June, 2004 and 2005 respectively.

At 30th June, 2005, the employees of the Group joined the Mandatory Provident Fund ("MPF") Scheme operated by its ultimate holding company. Mandatory contributions to the scheme are made by both the employer and employees at 5% of the employees' monthly relevant income capped at HK\$20,000 per employee. At 30th June, 2005, there were no forfeited contributions available to reduce future obligations. The contributions made by the Group to the MPF Scheme for the year are approximately HK\$359,000 (2004: HK\$331,000).

The employees of the Group's PRC jointly controlled entities are members of state-managed retirement benefit schemes operated by the PRC Government. These entities are required to contribute 18% of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the jointly controlled entities with respect to the retirement benefit schemes is to make the specified contributions. The Group's proportionate share of the contributions made by the jointly controlled entities for the year are approximately HK\$4,625,000 (2004: HK\$4,113,000).

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 12 (2004: 12) directors were as follows:

2004

	Gordon Ying Sheung WU HK\$'000	Eddie Ping Chang HO HK\$'000	Thomas Jefferson WU HK\$'000	Alan Chi Hung CHAN HK\$'000	Leo Kwok Kee LEUNG HK\$'000	(Note b) Li Jia HUANG HK\$'000	Cheng Hui JIA HK\$'000	Philip Tsung Cheng FEI HK\$'000	Lee Yick NAM HK\$'000	Kojiro NAKAHARA HK\$'000	Gordon YEN HK\$'000	Christopher Shih Ming IP HK\$'000	Total HK\$'000
Fees	260	100	100	100	100	100	100	100	100	100	100	100	1,360
Other emoluments													
Salaries and other benefits	2,750	2,200	1,518	1,666	1,375	529	804	-	-	-	-	1,320	12,162
Bonus	-	-	58	138	52	30	70	-	-	-	-	120	468
Contributions to retirement benefits plans	-	-	11	12	11	-	12	-	-	-	-	11	57
Total emoluments	3,010	2,300	1,687	1,916	1,538	659	986	100	100	100	100	1,551	14,047

2005

	Gordon Ying Sheung WU HK\$'000	Eddie Ping Chang HO HK\$'000	Thomas Jefferson WU HK\$'000	Alan Chi Hung CHAN HK\$'000	Leo Kwok Kee LEUNG HK\$'000	(Note b) Li Jia HUANG HK\$'000	Cheng Hui JIA HK\$'000	Philip Tsung Cheng FEI HK\$'000	Lee Yick NAM HK\$'000	Kojiro NAKAHARA HK\$'000	(Note a) Gordon YEN HK\$'000	Christopher Shih Ming IP HK\$'000	Total HK\$'000
Fees	300	250	200	200	200	200	200	200	200	200	200	103	2,453
Other emoluments													
Salaries and other benefits	3,000	2,400	1,656	1,680	1,500	602	1,049	-	-	-	-	764	12,651
Bonus	-	-	138	138	125	30	70	-	-	-	-	120	621
Contributions to retirement benefits plans	-	-	12	12	12	-	12	-	-	-	-	7	55
Total emoluments	3,300	2,650	2,006	2,030	1,837	832	1,331	200	200	200	200	994	15,780

Notes:

- (a) Mr. Christopher Shih Ming IP resigned as a director of the Company with effect from 5th January, 2005.
- (b) Included in the directors' salaries and other benefits paid or payable to Mr. Li Jia HUANG is approximately HK\$77,000 (2004: HK\$123,000) paid by the GS Superhighway JV.

Five highest paid individuals emoluments

The five highest paid individuals of the Group in 2005 and 2004 were all directors of the Company and details of their emoluments are disclosed above.

During the two years ended 30th June, 2005, no emoluments were paid by the Group to any of the persons who are directors or the five highest paid individuals of the Company as an inducement to join or upon joining the Group or as compensation for loss of office and none of the persons who are directors of the Company waived any emoluments.

Notes to the Financial Statements

For the year ended 30th June, 2005

13. PROPERTY AND EQUIPMENT

	Toll roads HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST					
At 1st July, 2004	10,456,043	22,711	22,573	7,380	10,508,707
Exchange adjustments	(27,065)	(78)	(74)	(24)	(27,241)
Additions	3,204	6,154	4,138	49,226	62,722
Transfer	13,875	–	6,773	(20,648)	–
Disposals	–	(460)	(109)	–	(569)
Adjustments to construction cost payable	–	–	–	(1,102)	(1,102)
At 30th June, 2005	10,446,057	28,327	33,301	34,832	10,542,517
DEPRECIATION					
At 1st July, 2004	937,486	18,198	8,312	–	963,996
Exchange adjustments	(2,349)	(64)	(29)	–	(2,442)
Charge for the year	215,598	2,597	3,220	–	221,415
Eliminated on disposals	–	(432)	(105)	–	(537)
At 30th June, 2005	1,150,735	20,299	11,398	–	1,182,432
CARRYING AMOUNTS					
At 30th June, 2004	9,518,557	4,513	14,261	7,380	9,544,711
At 30th June, 2005	9,295,322	8,028	21,903	34,832	9,360,085

14. ADDITIONAL INVESTMENT COST IN JOINTLY CONTROLLED ENTITIES

	HK\$'000
COST	
At 1st July, 2004 and 30th June, 2005	2,073,512
AMORTISATION	
At 1st July, 2004	212,560
Charge for the year	45,829
At 30th June, 2005	258,389
CARRYING AMOUNTS	
At 30th June, 2004	1,860,952
At 30th June, 2005	1,815,123

15. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Particulars of the Group's jointly controlled entities at 30th June, 2005 are as follows:

Name of company	Place of establishment	Registered capital	Principal activity
廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited	The PRC	RMB471,000,000	Development, operation and management of an expressway
廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited	The PRC	US\$55,000,000	Development, operation and management of an expressway
廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited	The PRC	RMB588,000,000	Development, operation and management of an expressway

All the above jointly controlled entities are Sino-foreign co-operative joint venture enterprises established under the PRC laws.

The principal terms of the joint venture agreements entered into between the relevant subsidiaries and the corresponding joint venture partners under which the jointly controlled entities operate are as follows:

(i) GS Superhighway JV

The GS Superhighway JV is established to undertake the construction, operation and management of an expressway in Guangdong Province of the PRC. Phase I of the project comprises an expressway running between Shenzhen and Guangzhou ("GS Superhighway"). The operation period is 30 years from the official opening date. At the end of the operation period, all the immovable assets and facilities of the GS Superhighway JV will revert to the PRC joint venture partner without compensation.

The development of phases II and III of the project, comprising a major transportation route in western Pearl River Delta ("Western Delta Route"), is undertaken by the West Route JV.

15. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

(i) **GS Superhighway JV** *(continued)*

The Group's entitlement to the profit of the toll operations of the GS Superhighway JV is 50% for the initial 10 years of the operation period, 48% for the next 10 years and 45% for the last 10 years of the period. The Group is also entitled to a share of 80% of the rentals and other income, after deduction of operating and financial expenses, arising from the development of commercial centres and shop spaces along and underneath certain portion of the GS Superhighway for a period of 30 years commencing on the date of completion of the construction of the GS Superhighway. The GS Superhighway JV has also been granted the contingent rights to develop parcels of land within certain interchanges of the GS Superhighway for sale or rental. The detailed terms of such grant have yet to be finalised. The GS Superhighway was officially opened in July 1997.

(ii) **Ring Road JV**

The Ring Road JV is established to undertake the construction, operation and management of an expressway running along the eastern, southern and western fringes of the Guangzhou urban areas ("ESW Ring Road"). The operation period is 30 years commencing from 1st January, 2002. The Group is entitled to 45% of the net cash flow (that is, gross operating income net of operating expenses and tax) of the ESW Ring Road for the initial 10 years of operation and thereafter the Group's net cash flow entitlement will be reduced to 37.5% for the subsequent 10 years and 32.5% for the remaining years of operation of the entire operation period of the Ring Road JV. The ESW Ring Road was officially opened in January 2002. At the end of the operation period, all the immovable assets and facilities of the Ring Road JV will revert to the PRC joint venture partner without compensation.

(iii) **West Route JV**

The West Route JV is established to undertake the construction, operation and management of an expressway linking Guangzhou, Zhongshan and Zhuhai. Phase I of the expressway ("Phase I West") was officially opened on 30th April, 2004 and the co-operation period is 30 years commencing from 17th September, 2003. The Group is entitled to 50% of the distributable profits from operation of the West Route JV. At the end of the co-operation period, all the immovable assets and facilities of the West Route JV will revert to the relevant PRC government department which regulates transportation without compensation.

15. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities accounted for by the Group using proportionate consolidation are set out below:

In respect of the year ended 30th June, 2004:

	GS Superhighway JV HK\$'000	Ring Road JV HK\$'000	West Route JV HK\$'000	Total HK\$'000
Current assets	346,290	93,706	19,343	459,339
Non-current assets	5,334,820	1,869,020	709,781	7,913,621
Current liabilities	225,377	16,170	99,504	341,051
Non-current liabilities	3,846,850	1,347,747	491,724	5,686,321
Income	1,148,225	129,014	4,649	1,281,888
Expenses	352,298	90,136	5,227	447,661

In respect of the year ended 30th June, 2005:

	GS Superhighway JV HK\$'000	Ring Road JV HK\$'000	West Route JV HK\$'000	Total HK\$'000
Current assets	363,993	94,577	26,836	485,406
Non-current assets	5,217,339	1,843,209	704,860	7,765,408
Current liabilities	247,179	11,824	58,780	317,783
Non-current liabilities	3,728,278	1,648,711	386,291	5,763,280
Income	1,354,558	145,338	44,868	1,544,764
Expenses	431,144	103,955	34,040	569,139

16. INVESTMENT IN TOLL ROAD PROJECT UNDER DEVELOPMENT

The amount represents the costs incurred by the Group on the development of Phases II and III of Western Delta Route.

The Western Delta Route is developed in three phases. The Phase I West was constructed and operated by the West Route JV and was opened to traffic on 30th April, 2004. Subject to approval of the relevant PRC authorities, the estimated total investment for the Phase II of Western Delta Route ("Phase II West") is RMB4,900 million, 35% of which is to be funded by an increase in the registered capital of the West Route JV by RMB1,715 million in total to be contributed by the Group and the West Route JV PRC partner in equal share (i.e. each to contribute RMB857.5 million). The co-operation period for the Phase II West will, subject to approval of the relevant PRC authorities, be 30 years commencing on the date on which the new business licence of the West Route JV is issued. The Group is entitled to 50% of the distributable profits of the West Route JV.

The Group is currently in the process of negotiating the terms of a possible co-operation with the PRC partner of the West Route JV for the investment in and the planning, design, construction and operation of the Phase III of Western Delta Route ("Phase III West") through the West Route JV. The estimated total investment for the Phase III West is RMB3,600 million subject to approval of the relevant PRC authorities, 35% of which is to be funded by an increase in the registered capital of the West Route JV by RMB1,260 million in total to be contributed by the Group and the West Route JV PRC partner in equal share (i.e. each to contribute RMB630 million). The co-operation period for the Phase III West will be subject to approval of the relevant PRC authorities and will be commencing on the date on which the new business licence of the West Route JV is issued. The Group is entitled to 50% of the distributable profits of the West Route JV.

17. PREPAID LEASE PAYMENTS

The amount represents the Group's proportionate share of the land use rights of the West Route JV which is charged to the income statement on a straight-line basis over the joint venture period of the West Route JV.

	HK\$'000
COST	
At 1st July, 2004	133,488
Exchange adjustments	(425)
At 30th June, 2005	133,063
AMORTISATION	
At 1st July, 2004	–
Charge for the year	4,435
At 30th June, 2005	4,435
CARRYING AMOUNTS	
At 30th June, 2004	133,488
At 30th June, 2005	128,628

Analysis of the carrying amounts:

	2004 HK\$'000	2005 HK\$'000
Prepaid lease prepayments	133,488	128,628
Less: Portion to be charged to income statement in next year included under current assets	(4,450)	(4,435)
	129,038	124,193

18. LOANS TO JOINTLY CONTROLLED ENTITIES

	2004 HK\$'000	2005 HK\$'000
Capital contributions made by the Group to jointly controlled entities:		
GS Superhighway JV (Note a)	351,000	351,000
Ring Road JV (interest-free) (Note b)	116,891	116,891
West Route JV (interest-free) (Note b)	132,858	132,858
	600,749	600,749
Other loans to jointly controlled entities:		
GS Superhighway JV (interest-bearing) (Note a)	55,134	75,302
Ring Road JV (interest-free) (Note b)	563,603	525,100
	618,737	600,402
	1,219,486	1,201,151

The balances represent the capital contribution and the other loans to jointly controlled entities made by the Group after elimination of the Group's proportionate share of the corresponding amounts of the jointly controlled entities.

The loans to jointly controlled entities are unsecured and repayable out of the net cash surplus from the operations of the jointly controlled entities.

Notes:

- (a) Other than the capital contribution of approximately HK\$20,980,000 (2004: HK\$20,980,000) at 30th June, 2005 which is interest-free, the loans to the GS superhighway JV carry interest at commercial lending rates and the directors consider that the carrying amount approximates their fair values. In view of the terms of the interest-free loans which do not have a fixed maturity date, the directors consider that it is not practicable to determine their fair values.
- (b) In view of the terms of the interest-free loans to the Ring Road JV and the West Route JV which do not have a fixed maturity date, the directors consider that it is not practicable to determine their fair values.

19. INVESTMENTS IN SECURITIES

The amount represents the overseas listed held-to-maturity debt securities with fixed interest rates ranging from 1.6% to 7.6% per annum held by the Group. During the year, held-to-maturity debt securities with aggregate carrying amounts of approximately HK\$1,116 million (2004: HK\$244 million) and HK\$162 million (2004: Nil) were redeemed upon their maturity and disposed of before maturity respectively. At the balance sheet date, its carrying amount approximates their fair values.

20. INTEREST RECEIVABLE FROM A JOINT VENTURE PARTNER

The balance represents the Group's proportionate share of the interest receivable of the Ring Road JV from another joint venture partner of the Ring Road JV. The amount is unsecured, interest-free and repayable on demand.

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 30th June 2005, included in the pledged bank deposits and bank balances and cash are bank deposits of approximately HK\$359,363,000 (2004: HK\$356,967,000), which are held by the Group's PRC subsidiary and jointly controlled entities in United States dollars, Hong Kong dollars and Renminbi. The remittance of these bank deposits other than the distribution of dividends or reimbursement of operating expenses outside the PRC is subject to approval of the relevant local authorities.

22. OTHER FINANCIAL ASSETS

The directors consider that the carrying amount of pledged bank deposits, other receivables and deposits approximates their fair values.

Bank balances and cash comprise cash and short-term deposits held for the treasury function of the Group and the jointly controlled entities. The carrying amount of these assets approximates their fair values.

Credit risk

The Group's credit risk is primarily attributable to its investments, loans to jointly controlled entities, interest receivable from a joint venture partner, other receivables, deposits, pledged bank deposits and bank balances and cash which represent the Group's maximum exposure to credit risk in relation to financial assets. The amounts presented in the balance sheet are net of allowances for doubtful receivables, as estimated by the Group's management based on prior experience and the current economic environment.

The credit risk on investments in securities and liquid funds is limited because the counterparties are entities with high credit-ratings assigned by international credit-rating agencies or regulated banks in the PRC.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Foreign currency risk

The majority of the revenue of the Group's jointly controlled entities are collected in RMB. Any devaluation of RMB would adversely affect the value of the jointly controlled entities' revenues and earnings in currencies other than RMB. In addition, most of the Group's investments in securities and bank loans of a jointly controlled entity are denominated in United States dollar and any fluctuation of exchange rate of such currency would affect the cash flow of the Group and its jointly controlled entity.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities.

23. SHARE CAPITAL

	Number of shares	Nominal amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1st July, 2003, 30th June, 2004 and 30th June, 2005	10,000,000,000	1,000,000
Issued and fully paid:		
At 1st July, 2003	3,120,250	312
Capitalisation issue (Note a)	2,156,879,750	215,688
Issue of shares by way of placing and public offer (Note b)	720,000,000	72,000
Issue of shares upon exercise of warrants	590,046	59
At 30th June, 2004	2,880,590,046	288,059
Issue of shares upon exercise of warrants	5,392,715	539
Issue of shares upon exercise of share options	2,400,000	240
At 30th June, 2005	2,888,382,761	288,838

Notes:

- (a) On 23rd July, 2003, the Company allotted and issued 2,156,879,750 shares of HK\$0.1 each, credited as fully paid on capitalisation of an amount of HK\$4,500 million owing by the Company to its immediate holding company.
- (b) On 5th August, 2003, 720,000,000 new shares of the Company of HK\$0.1 each were issued, at a price of HK\$4.18 per share, for cash through an initial public offering by way of placing and public offer.

Warrants

Pursuant to the written resolutions of the sole shareholder of the Company passed on 16th July, 2003, the instrument constituting the warrants and the creation of the warrants of the Company ("Warrants") were approved. The Warrants carrying subscription rights in aggregate of HK\$365,890,598 were created and issued in registered form on 5th August, 2003 which conferred the right to registered holders to subscribe for shares of the Company at an initial subscription price per share of HK\$4.18 (subject to adjustment) exercisable during a period of three years commencing 6th August, 2003 ("Subscription Rights").

During the year, the Subscription Rights of HK\$22,541,549 (2004: HK\$2,466,392) were exercised by registered holders to convert into 5,392,715 (2004: 590,046) ordinary shares of the Company.

At 30th June, 2005, the Subscription Rights of HK\$340,882,658 (2004: HK\$363,424,206) were outstanding, exercise of which in full would result in the issue of 81,550,875 (2004: 86,943,590) ordinary shares of the Company of HK\$0.1 each.

23. SHARE CAPITAL *(continued)***Share option scheme**

A share option scheme ("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 at an extraordinary general meeting held on 16th July, 2003. The Option Scheme shall be valid and effective for a period of 10 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) and chief executives, or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder 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.

Details of the movement of share options of the Company during the year ended 30th June, 2005 are as follows:

	Date of grant	Exercise price HK\$	Balance of outstanding options at 1.7.2004	Options granted during the year	Options exercised during the year	Options cancelled/lapsed during the year	Balance of outstanding options at 30.6.2005	Exercise period
Directors:								
Leo Kwok Kee LEUNG	8.9.2004	4.875	-	2,000,000	-	-	2,000,000	8.9.2004 to 7.9.2007
Christopher Shih Ming IP (Note)	13.9.2004	4.880	-	2,000,000	2,000,000	-	-	13.9.2004 to 12.9.2007
An employee	8.9.2004	4.875	-	800,000	400,000	-	400,000	8.9.2004 to 7.9.2007
Total			-	4,800,000	2,400,000	-	2,400,000	

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

The weighted average closing prices of the shares on the dates immediately before the dates on which the options were exercised by Mr. Christopher Shih Ming IP and the employee during the year were HK\$5.02 and HK\$6.00 respectively.

23. SHARE CAPITAL *(continued)*

Share option scheme *(continued)*

The financial impact of share options granted is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

No option was granted or exercised under the Option Scheme since its adoption upto 30th June, 2004.

24. RESERVES

Included in the Group's reserves are the Group's proportionate share of post-acquisition reserves of the jointly controlled entities as follows:

	2004 HK\$'000	2005 HK\$'000
PRC statutory reserves	76,560	84,989
Translation reserve	9,371	3,415
Retained profits	930,201	1,099,670
	1,016,132	1,188,074

Pursuant to the relevant PRC regulations applicable to the Group's PRC jointly controlled entities, the jointly controlled entities have to provide for the PRC statutory reserves before declaring dividends to the joint venture partners on the basis determined and approved by the board of directors. The reserves, which include a general fund and development fund, are not distributable until the end of the co-operation period, at which time any remaining balance of the reserves can be distributed to the joint venture partners upon liquidation of the jointly controlled entities. The distributable profits of the jointly controlled entities are determined based on their retained profits calculated in accordance with the PRC accounting rules and regulations.

THE COMPANY

The Company's reserves available for distribution represent the share premium and retained profits. Under the Companies Law (2003 Revision) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of a dividend, the Company is able to pay its debt as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can only be distributed out of the retained profits and share premium of the Company. At 30th June, 2005, the Company's reserves available for distribution to its shareholders amounted to approximately HK\$8,129,526,000 (2004: HK\$7,867,930,000), comprising retained profits and share premium of approximately HK\$991,451,000 (2004: HK\$763,328,000) and HK\$7,138,075,000 (2004: HK\$7,104,602,000) respectively.

25. BANK AND OTHER LOANS

	2004 HK\$'000	2005 HK\$'000
Bank loans, secured	4,855,267	4,700,941
Other loans, unsecured	95,833	95,527
	4,951,100	4,796,468
The borrowings are repayable as follows:		
On demand or within one year	171,294	196,069
In the second year	206,118	259,132
In the third to fifth years inclusive	1,379,888	1,479,210
After five years	3,193,800	2,862,057
	4,951,100	4,796,468
Less: Amounts due for settlement within one year (shown under current liabilities)	(171,294)	(196,069)
Amounts due for settlement after one year	4,779,806	4,600,399

Analysis of borrowings by currency:

	At 30th June, 2004	
	US\$ loans equivalent HK\$'000	RMB loans equivalent HK\$'000
Bank loans	3,578,386	1,276,881
Other loans	–	95,833
	3,578,386	1,372,714

	At 30th June, 2005	
	US\$ loans equivalent HK\$'000	RMB loans equivalent HK\$'000
Bank loans	3,430,943	1,269,998
Other loans	–	95,527
	3,430,943	1,365,525

Other than the amount of the other loans of approximately HK\$16,354,000 (2004: HK\$16,406,000) at 30th June, 2005 which is interest-free and repayable at the end of the operation period of the GS Superhighway JV (i.e. June 2027), bank and other loans carry interest at commercial lending rates.

25. BANK AND OTHER LOANS *(continued)*

The average effective interest rates for bank and other loans for the year were 3.7% (2004: 2.5%) and 5.0% (2004: 4.8%) respectively.

The directors consider that the carrying amount of the interest-bearing loans approximates their fair values. In view of the terms of the interest-free loans, the directors consider that it is not practicable to determine their fair values.

Included in the bank loans at 30th June, 2005 is a bank loan of approximately HK\$690,635,000 borrowed by the Ring Road JV to which, pursuant to relevant agreements entered into among the joint venture partners of the Ring Road JV, the Group is responsible for servicing of the bank loan.

Included in the bank loans at 30th June, 2004 was a bank loan of approximately HK\$697,551,000 (representing the Group's 50% share of the bank loan) borrowed by the Ring Road JV to which, pursuant to relevant agreements entered into among the joint venture partners of the Ring Road JV, the other foreign joint venture partner of the Ring Road JV and the Group were each responsible for servicing 50% of such bank loan granted to the Ring Road JV. In the prior year's financial statements, the Group had proportionately shared the bank loans borrowed by the Ring Road JV basing on its then net cash flow sharing ratio in the Ring Road JV (i.e. 45%). Adjustment has been made in current year to restate the bank loans at 30th June, 2004 amounting to approximately HK\$69,755,000 to reflect the aforementioned arrangement of the bank loans.

26. LOANS FROM JOINT VENTURE PARTNERS TO JOINTLY CONTROLLED ENTITIES

	2004 HK\$'000	2005 HK\$'000
Capital contributions from joint venture partners of:		
Ring Road JV (interest-free)	95,638	95,638
West Route JV (interest-free)	138,474	138,474
	234,112	234,112
Other loans from joint venture partners of:		
GS Superhighway JV (interest-bearing)	8,552	8,310
Ring Road JV (interest-free)	594,848	548,564
	603,400	556,874
	837,512	790,986

The balances represent the Group's proportionate share of the capital contributions and the other loans made to jointly controlled entities by the outside joint venture partners ("other joint venture partner(s)"). Such amounts are unsecured and are repayable out of the net cash surplus from the operations of the jointly controlled entities.

26. LOANS FROM JOINT VENTURE PARTNERS TO JOINTLY CONTROLLED ENTITIES*(continued)*

The loan from the other joint venture partner of the GS Superhighway JV was charged at commercial lending rates and the directors consider that the carrying amount approximates its fair value.

In view of the terms of the interest-free loans which do not have a fixed maturity date, the directors consider that it is not practicable to determine their fair values.

27. DEFERRED TAX LIABILITIES

The deferred tax liabilities as shown in the consolidated balance sheet represent the Group's proportionate share of such liabilities of the jointly controlled entities. The major components of the deferred tax liabilities (assets) are as follows:

	2004 HK\$'000	2005 HK\$'000
Excess of tax allowances over depreciation	165,789	206,890
Unutilised tax losses	(27,500)	(40,000)
	138,289	166,890

The movement for the year in the deferred tax liabilities (assets) are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st July, 2003	134,605	(18,200)	116,405
Charge (credit) to income (Note 8)	31,184	(9,300)	21,884
At 30th June, 2004	165,789	(27,500)	138,289
Charge (credit) to income (Note 8)	41,101	(12,500)	28,601
At 30th June, 2005	206,890	(40,000)	166,890

28. INTEREST PAYABLE TO A JOINTLY CONTROLLED ENTITY

The balance represents interest payable due to the Ring Road JV by the Group not eliminated on the adoption of proportionate consolidation for the jointly controlled entity. The amount is unsecured, interest-free and has no fixed repayment term. The directors consider that the carrying amount approximates its fair value.

29. OTHER FINANCIAL LIABILITIES

Other payables, accruals and deposits received and other interest payable principally comprise amounts outstanding for ongoing costs. The directors consider that the carrying amounts of these liabilities approximate their fair values.

30. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30th June, 2005 amounted to approximately HK\$15,044,017,000 (2004: HK\$14,967,613,000). The Group's net current assets at 30th June, 2005 amounted to approximately HK\$2,497,150,000 (2004: HK\$1,464,139,000).

31. SUMMARY OF BALANCE SHEET OF THE COMPANY

	2004 HK\$'000	2005 HK\$'000
ASSETS		
Non-current assets	6,753,320	6,045,605
Current assets	1,433,642	2,455,499
Total assets	8,186,962	8,501,104
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	288,059	288,838
Reserves	7,867,930	8,129,526
	8,155,989	8,418,364
Non-current liabilities	27,344	80,348
Current liabilities	3,629	2,392
Total liabilities	30,973	82,740
Total equity and liabilities	8,186,962	8,501,104

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains the particulars of the subsidiaries of the Company at 30th June, 2005 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

Name of subsidiary	Place of incorporation	Issued and fully paid share	Attributable equity interest held by the Company	Principal activity
Kingnice Limited	British Virgin Islands	Ordinary share US\$20,000	97.5%	Investment holding
Fan Wai Properties Limited	British Virgin Islands	Ordinary share US\$1	97.5%	Investment funding
Most Top Limited	British Virgin Islands	Ordinary share US\$1	100%	Investment holding
Hopewell China Development (Superhighway) Limited	Hong Kong	Ordinary shares HK\$2 Non-voting deferred shares HK\$4	97.5% of issued ordinary share capital	Investment in expressway project
Hopewell Guangzhou Ring Road Limited	British Virgin Islands	Ordinary share US\$1	100%	Investment in expressway project
Hopewell Guangzhou-Zhuhai Superhighway Development Limited	Hong Kong	Ordinary shares HK\$2 Non-voting deferred shares HK\$2	100% of issued ordinary share capital	Investment in expressway project

All the above subsidiaries are indirectly held by the Company.

33. MAJOR NON-CASH TRANSACTION

During the year ended 30th June, 2004, as part of the Corporate Reorganisation as referred to in notes 1 and 23, the Company allotted and issued 2,156,879,750 shares of HK\$0.1 each, credited as fully paid on capitalisation of an amount of HK\$4,500 million owing by the Company to its immediate holding company.

34. CAPITAL COMMITMENTS

At 30th June, 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 Phase II West amounting to approximately HK\$805 million (2004: Nil).

In addition, at 30th June 2005, the GS Superhighway JV and the Ring Road JV had outstanding commitments in respect of the acquisition of property and equipment contracted but not provided for amounting to approximately HK\$3 million (2004: HK\$12 million) and HK\$1 million (2004: HK\$11 million) respectively.

35. PLEDGE OF ASSETS

At 30th June, 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:

	2004 HK\$'000	2005 HK\$'000
Toll roads	7,178,859	6,989,550
Prepaid lease payments	86,767	83,608
Bank deposits	319,211	333,534
Other assets	61,864	112,189
	7,646,701	7,518,881

At 30th June, 2004 and 2005, the toll collection right of the GS Superhighway JV has been pledged to banks to secure the general banking facilities granted to the jointly controlled entity. In addition, 90% (2004: 100%) and 65% (2004: 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 at 30th June, 2005.

36. RELATED PARTY TRANSACTIONS

Amounts owed by and from related parties are disclosed in the balance sheet and relevant notes.

During the year, the Group paid rentals, air-conditioning and electricity charges and government rates to a fellow subsidiary amounting to approximately HK\$926,000 (2004: HK\$932,000).

The Group's jointly controlled entities had the following significant transactions with their joint venture partners other than the Group during the year:

Relationship	Nature of transaction	2004 HK\$'000	2005 HK\$'000
Other joint venture partner of the GS Superhighway JV	Interest paid (Note a)	596	593
	Reimbursement of operating expenses (Note b)	6,600	6,600
	Dividend paid and payable	619,740	811,296
Other PRC joint venture partner of the Ring Road JV	Management fee paid and payable (Note b)	4,000	4,000
Other foreign joint venture partner of the Ring Road JV	Management fee paid and payable (Note b)	2,000	2,000
	Interest income (Note a)	38,148	37,739
Other PRC joint venture partner of the West Route JV	Performance bonus (Note b)	1,686	–

At 30th June, 2005, the Company and the holding company of the other foreign joint venture partner of the Ring Road JV have separately given guarantees to a PRC bank for bank loan facilities of RMB735,500,000 and RMB721,300,000 respectively granted to the Ring Road JV.

At 30th June, 2004, guarantees had been given by the Company and the holding company of the other foreign joint venture partner of the Ring Road JV to a PRC bank and were each responsible for servicing 50% of the bank loan facilities of RMB1,481,000,000 granted to the Ring Road JV.

Notes:

- (a) The interest was charged on the principal amount of loans outstanding at commercial lending rates.
- (b) In the opinion of directors, these transactions were carried out based on the terms agreed by the parties concerned and in the ordinary course of business.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 39 to 75 were approved and authorised for issue by the Board of Directors on 1st September, 2005.