

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.

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.

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 HK\$'000	RMB loans equivalent HK\$'000 <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 HK\$'000	RMB loans equivalent HK\$'000
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 HK\$'000	Tax losses HK\$'000	Total HK\$'000
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.