



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

2004-2005
Annual Report 年報



Hopewell Highway Infrastructure Limited (“HHI”) (stock code: 737), listed on The Stock Exchange of Hong Kong Limited since August 2003, builds and operates strategic expressway infrastructure in Guangdong Province. With the strong support and well-established experience of its listed parent, Hopewell Holdings Limited (stock code: 54), HHI focuses on the initiation, promotion, development, investment and operation of toll expressways and bridges, particularly in the thriving economy of the Pearl River Delta region.

合和公路基建有限公司（「HHI」）（股份代號：737）於二零零三年八月在香港聯合交易所有限公司上市，主業在廣東省建設及經營策略性的高速公路基建項目。憑藉其上市之母公司合和實業有限公司（股份代號：54）的強大後盾及豐富經驗，HHI集中在經濟蓬勃的珠江三角洲地區專注開發、推動、發展、投資及營運高速公路及橋樑項目。



1 GS Superhighway
廣深高速公路

A 122.8 km closed system asphalt-paved dual three lane expressway running between Huanggang in Shenzhen and Guangdan in Guangzhou where it connects to the ESW Ring Road.
全長 122.8 公里封閉式瀝青路面之雙向三車道高速公路，由深圳市皇崗至廣州市廣氮，連接東南西環高速公路。



2 ESW Ring Road
東南西環高速公路

A 38 km closed system concrete-paved dual three lane expressway running along the eastern, southern and western fringes of the Guangzhou urban areas and connecting to the Northern Ring Road to form the Guangzhou Ring Road.
全長 38 公里封閉式混凝土路面之雙向三車道高速公路，沿廣州市區東、南及西面的周邊興建，與北環高速公路連接組成廣州環城高速公路。



3 Phase I West
西綫 I 期

A 14.7 km closed system asphalt-paved dual three lane expressway linking Guangzhou to Shunde. It connects to ESW Ring Road and opened to traffic on 30th April, 2004.
全長 14.7 公里封閉式瀝青路面之雙向三車道高速公路連接廣州市和順德，與東南西環高速公路連接，於二零零四年四月三十日通車。



4 Phase II West (Under planning)
西綫 II 期 (籌劃中)

Connecting to Phase I West, an approximately 46 km expressway running between Shunde and Zhongshan.
緊接西綫 I 期，全長約 46 公里的高速公路將連接順德和中山市。



5 Phase III West (Under planning)
西綫 III 期 (籌劃中)

Connecting to Phase II West, an expressway running between Zhongshan and Zhuhai.
緊接西綫 II 期工程，高速公路將連接中山市和珠海市。

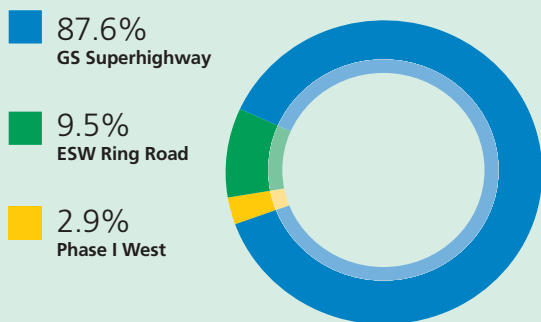


6 Hong Kong-Zhuhai-Macau Bridge (Under planning)
港珠澳大橋 (籌劃中)

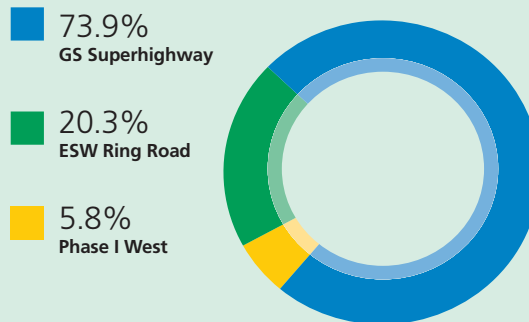
The proposed 29 km Y-shaped bridge will connect Hong Kong, Zhuhai and Macau.
倡議中的 29 公里 Y 型大橋將把香港與珠海及澳門連繫起來。

2	Financial Highlights
3	5 Year Financial Summary
4	Chairman’s Statement
8	Management Team
8	Profile of Directors
12	Operations Review
25	Financial Review
28	Report of the Directors
37	Financial Report
38	Report of the Auditors
39	Consolidated Income Statement
40	Consolidated Balance Sheet
42	Consolidated Statement of Changes in Equity
43	Consolidated Cash Flow Statement
45	Notes to the Financial Statements
76	Corporate Information

Turnover by Expressway

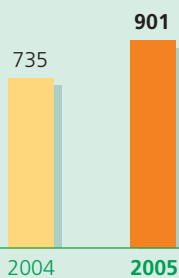


Total Traffic by Expressway



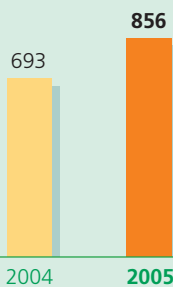
Net Profit

(HK\$ million)



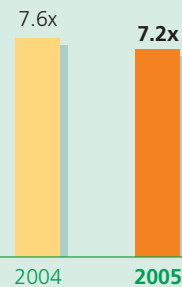
Core Earnings

(net profit excluding interest income from shareholder's loan and income from debt securities investments) (HK\$ million)

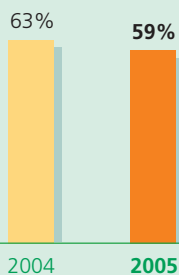


Interest Coverage

(EBITDA / Interest)

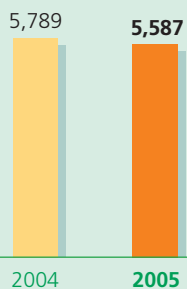


Total Debt to Equity

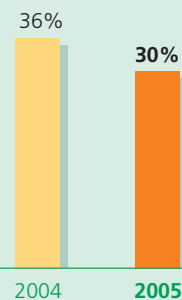


Total Debt

(HK\$ million)



Net Debt* to Total Equity



* Total debt less bank balances and cash, pledged bank deposits and debt securities investments

Consolidated Results

(in HK\$ million)	Year ended 30th June				2005
	2001	2002	2003	2004	
Turnover	860	918	1,030	1,245	1,514
Profit from ordinary activities before taxation	629	561	569	772	982
Taxation	(26)	(20)	(25)	(22)	(63)
Profit before minority interests	603	541	544	750	919
Minority interests	(2)	(9)	(11)	(15)	(18)
Profit attributable to shareholders	601	532	533	735	901

Consolidated Assets and Liabilities

(in HK\$ million)	As at 30th June				2005
	2001	2002	2003	2004	
Property and equipment	9,271	9,099	9,001	9,545	9,360
Additional investment cost					
in jointly controlled entities	1,961	1,934	1,900	1,861	1,815
Investment in toll road project under development	431	431	151	38	46
Prepaid lease payments	-	-	-	129	124
Loans to jointly controlled entities	4,282	1,209	1,014	1,219	1,201
Investments in securities - mature over 1 year	-	-	-	711	-
Current assets	558	260	421	1,905	2,954
Total assets	16,503	12,933	12,487	15,408	15,500
Current liabilities	(957)	(354)	(569)	(440)	(456)
Non-current liabilities	(13,046)	(11,739)	(10,542)	(5,756)	(5,558)
Total liabilities	(14,003)	(12,093)	(11,111)	(6,196)	(6,014)
Minority interests	(10)	(19)	(30)	(32)	(33)
Shareholders' equity	2,490	821	1,346	9,180	9,453

Earnings Per Share

(in HK\$)	2001	2002	2003	2004	2005
Earnings per share – basic	0.28	0.25	0.25	0.26	0.31
Earnings per share – diluted	N/A	N/A	N/A	0.26	0.31

Financial Ratios

	2001	2002	2003	2004	2005
Net Debt ⁽¹⁾ to Equity ⁽²⁾	125%	137%	104%	36%	30%
Return on Equity ⁽²⁾	9%	10%	9%	8%	10%

Note: (1) Net debt is defined as total debt (including bank and other loans (both long term and current portion) and loans from joint venture partners to jointly controlled entities) less bank balances and cash, pledged bank deposits and debt securities investments.

(2) Assumed HK\$4,500 million of the amount due to holding company was capitalised for the three years ended 30th June, 2003.

(3) The Company was incorporated on 14th January, 2003 in the Cayman Islands and became the holding company of the Group with effect from 30th June, 2003 upon completion of the Corporate Reorganisation as set out in the Company's prospectus dated 28th July, 2003.

(4) The results of the Group for the two years ended 30th June, 2002 and the balance sheets of the Group as at 30th June, 2001 and 2002 have been prepared using the principles of merger accounting and are extracted from the Company's prospectus dated 28th July, 2003.



Sir Gordon Ying Sheung WU
GBS, KCMG, FICE
Chairman

“ The first full year performance of the Phase I West, following the commencement of its operations on 30th April, 2004, was impressive and recorded profit. The Phase I West is the only expressway linking up the two cities with rapid economic growth - Guangzhou and Shunde. Its long term significance will continue to be enhanced by the further economic growth of these cities. ”

I am pleased to report that Hopewell Highway Infrastructure Limited continued to deliver a strong and solid financial and operational performance for the year ended 30th June, 2005, with net profit rising to HK\$901 million, a 23% increase over the last financial year's HK\$735 million. Basic earnings per share increased to HK31.24 cents, a 19% rise over the last year's HK26.15 cents per share.

The impressive results were driven by the continued rapid economic growth in the Pearl River Delta Region ("PRD") which resulted in a 25% growth in the aggregate average daily traffic flow of the Group's three expressways, 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"), and also a 22% increase in the total toll revenue as compared to that of the last financial year.

The Board of Directors has recommended a final dividend of HK12.75 cents per share. Together with the interim dividend of HK10.25 cents per share, the dividend for the full year will be HK23 cents per share, a 2.2% increase as compared to HK22.5 cents for the last financial year.

The registers of members and warrant holders of the Company will be closed from Wednesday, 12th October, 2005 to Wednesday, 19th October, 2005, both days inclusive, during which no transfer of shares and no transfer or exercise of warrants will be effected. Subject to approval of the shareholders at the annual general meeting to be held on 19th October, 2005, the final dividend will be paid on or about 20th October, 2005 to shareholders as registered at the close of business on 19th October, 2005.

Financial Status

The Group's financial position has been sound and solid during the financial year ended 30th June, 2005. Driven by the robust growth in the three expressways, the Group's core earnings, defined as net profit excluding interest income from shareholder's loan and income from debt securities investments, increased to HK\$856 million, up by 24% over the last year's HK\$693 million.

Financial year	2004	2005	Growth rate
GS Superhighway			
Average Daily Traffic (No. of vehicles '000)	189	229	21%
Average Daily Toll Revenue (RMB '000)	6,901	8,134	18%
ESW Ring Road			
Average Daily Traffic (No. of vehicles '000)	48	63	32%
Average Daily Toll Revenue (RMB '000)	748	975	30%
Phase I West			
Average Daily Traffic (No. of vehicles '000)	11	18	59%
Average Daily Toll Revenue (RMB '000)	166	273	64%

The Group's balance sheet remains very strong. Net current assets reached HK\$2,497 million as at 30th June, 2005, a 71% increase over the HK\$1,464 million as at the last financial year end. Net gearing (total debt less bank balances and cash, pledged bank deposits and debt securities investments to total equity) for the financial year 2005 reduced to 30%, as compared to last financial year's 36%. Operating cashflow increased to HK\$1,320 million, a 5% rise over last year. The extension of the bank loan maturities for the ESW Ring Road and the GS Superhighway by approximately an average of 3.5 years subsequent to the respective refinancing in June and August 2005 has further improved the Group's liquidity position. Such a favourable financial status together with the fully underwritten commitment obtained by the Group in August 2005 for a 5-year HK\$3.6 billion unsecured syndicated bank revolving credit and term loan facilities will definitely strengthen the Group's funding capabilities.

Business Review and Outlook

The Group realizes the importance of value enhancement to its future success. In the past financial year, it placed great emphasis on improving the quality of services and standards of its expressways. Toll collection systems of the three expressways were upgraded to allow for non-stop toll payment. For the GS Superhighway, some improvement, expansion and reconstruction works at certain interchanges were completed to increase the traffic throughput. The feasibility study of widening the GS Superhighway from the current total 6 lanes to 10 lanes is still underway.

Although 7.5% PRC income tax has been charged for the first time on the profit derived from the GS Superhighway joint venture company since 1st January, 2005 after the expiry of a five-year full exemption, I am glad to see its net profit still had a 16% increase over that of the last financial year.

The first full year performance of the Phase I West, following the commencement of its operations on 30th April, 2004, was impressive and recorded profit. The Phase I West is the only expressway

linking up the two cities with rapid economic growth - Guangzhou and Shunde. Its long term significance will continue to be enhanced by the further economic growth of these cities.

Looking ahead, I am very optimistic towards the continuous economic growth in the PRD brought by the Closer Economic Partnership Arrangements and the Pan-PRD programmes. Growth of new car registrations in Guangdong Province will continue to be strong. I believe that the Group's performance will benefit from the continuously increasing traffic flow on the Group's expressways.

The Group will continue its strategic focus on the PRD and commitment to complete an expressway network in the PRD. The Phase II of the Western Delta Route ("Phase II West") and the Phase III of the Western Delta Route ("Phase III West") once completed, together with the Group's operating expressways, will establish an arterial expressway system directly connecting Hong Kong, Shenzhen, Dongguan, Guangzhou, Nanhai, Shunde, Zhongshan and Zhuhai, creating a strategic route in that area. Construction of the Phase II West is expected to commence by end of 2005, subject to finalisation of necessary approvals. In addition, negotiation of the terms of co-operation of the Phase III West with the PRC partner is close to finalisation.

I continue to view the proposed Hong Kong-Zhuhai-Macau Bridge project as strategically vital to the economic integration of the major cities of the PRD, Hong Kong and Macau and also as an enhancement to a complete expressway network in the region. I strongly believe that the Group is well positioned to participate in this project.

Change of Directors

I would like to take this opportunity to welcome Mr. Barry Chung Tat MOK to join the Board as Executive Director on 15th August, 2005. On the other hand, I would also thank Mr. Christopher Shih Ming IP, who resigned from the Board in January 2005, for his valuable contribution during his service.

Appreciation

Finally, I would like to express my sincere thanks and appreciation to my fellow directors, senior management team, and all staff for their commitment, dedication and hard work during the past year. My gratitude also extends to all our shareholders, financiers and business partners for their unfailing support and confidence in the Group which has contributed significantly towards the Group's success.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Chairman

Hong Kong, 1st September, 2005

Management Team



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

Executive Directors

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Aged 69, he has been the Chairman of the Board of the Company since July 2003. He is also the Chairman of Hopewell Holdings Limited ("Hopewell Holdings"), the ultimate holding company of the Company, a director of various members of the Group, and an Independent Non-Executive Director of i-Cable Communications Limited. He graduated from Princeton University with a Bachelor of Science degree in Engineering in 1958. He was responsible for the Group's infrastructure projects in the PRC and has been involved in the design and construction of numerous buildings and development projects of Hopewell Holdings and its subsidiaries in Hong Kong and the PRC.

He is very active in civic activities, his civic duties include:

In Hong Kong

- Member Hong Kong Logistics Development Council
- Chairman City University of Hong Kong Council
- Vice President Hong Kong Real Estate Developers Association
- Member The Greater Pearl River Delta Business Council
- Patron Hong Kong Logistic Association

In the PRC

- Deputy Director Chinese People's Political Consultative Conference - Overseas Chinese Affairs Committee
- Director United Nations Association of China



Ir. Leo Kwok Kee LEUNG
Executive Director

Mr. Li Jia HUANG
Executive Director

Mr. Cheng Hui JIA
Executive Director

Mr. Barry Chung Tat MOK
Executive Director

Sir Gordon received Honorary Doctorate Degrees from Hong Kong Polytechnic University, University of Strathclyde, UK and University of Edinburgh, UK. He is a Fellow of The Institution of Civil Engineers, The Chartered Institute of Logistics and Transport in Hong Kong and Hong Kong Academy of Engineering Sciences. He is also a Honorary Fellow of Australian Society of Certified Practising Accountants. He has been appointed the Honorary Consul of The Republic of Croatia in the Hong Kong SAR. His other awards include:

Honorary Citizen

- The City of New Orleans, USA
- The City of Guangzhou, PRC
- The City of Foshan, PRC
- The City of Shenzhen, PRC
- The District of Shunde, PRC
- The District of Nanhai, PRC
- The District of Huadu, PRC
- The Province of Quezon, the Philippines

Awards and Honours

• Gold Bauhinia Star (G.B.S.) by the Hong Kong SAR	2004
• Leader of the Year 2003 (Business/Finance) by Sing Tao Newspaper Group	2004
• Personality of the Year 2003 by the Asian Freight & Supply Chain Awards	2003
• Knight Commander of the Order of St. Michael and St. George for Services to British Exports by the Queen of England	1997
• Industry All-Star by Independent Energy, USA	1996
• International CEO of the Year by George Washington University, USA	1996
• Among "the Best Entrepreneurs" by Business Week	1994
• Man of the Year by the International Road Federation, USA	1994
• Business Man of the Year by the South China Morning Post and DHL	1991
• Asia Corporate Leader by Asia Finance Magazine, Hong Kong	1991
• Chevalier De L'Ordre De La Corona by the King of Belgium	1985

Mr. Eddie Ping Chang HO

Aged 72, he has been the Vice Chairman of the Company since July 2003 and is the Chairman of the Remuneration Committees of both the Company and Hopewell Holdings. He is also the Vice Chairman and Managing Director of Hopewell Holdings and a director of various members of the Group. He has been in charge of negotiating all joint ventures and financing for development projects in the PRC, including hotel, power plant and road infrastructure projects undertaken by the Group and the group of companies of Hopewell Holdings. In addition, he has extensive experience in building and development projects in Hong Kong. He is a Honorary Citizen of the cities of Guangzhou, Foshan and Shenzhen, and the Shunde District in the PRC.

Mr. Thomas Jefferson WU

Aged 32, an Executive Director of the Company since January 2003, he was appointed the Managing Director in July 2003. He is also the Deputy Managing Director of Hopewell Holdings and a director of various members of the Group. He is responsible for strategic planning, corporate policy and overall management of the Group and has upgraded the financial and management accounting systems of the Group. He holds a Master of Business Administration degree from Stanford University and a Bachelor degree in Mechanical and Aerospace Engineering from Princeton University. He also acts as the Honorary President of the Association of Property Agents and Realty Developers of Macau, Honorary President of the Association of Huadu in Macau, Chairman of Hong Kong Amateur Hockey Club and Vice Chairman of The Chamber of Hong Kong Listed Companies. He is also a member of the Huadu District Committee of The Chinese People's Political Consultative Conference. He is son of Sir Gordon Ying Sheung WU.

Mr. Alan Chi Hung CHAN

Aged 46, he has been an Executive Director of the Company since January 2003 and was appointed the Deputy Managing Director in July 2003. He is also a director of various members of the Group. He was awarded a Bachelor of Science degree from the Chinese University of Hong Kong in 1983 and a Postgraduate Diploma in Management Studies from the City University of Hong Kong in 1989. He is responsible for project coordination, project finance, management and administration of the expressway infrastructure and other projects of the Group in the PRC. He was an Executive Director of Hopewell Holdings during the period from 1st January, 2002 to 25th July, 2003.

Ir. Leo Kwok Kee LEUNG DIC, ACI Arb, CMILT, FHKIHT, FStructE, FICE

Aged 46 and an Executive Director of the Company since 3rd July, 2003, he is responsible for the planning, design, engineering and construction of projects within the Group. He is also a director of certain members of the Group. He graduated from Imperial College of the University of London with a Master of Science degree with Distinction in Earthquake Engineering and Structural Dynamics in 1991. In 1983, he was also awarded a Bachelor of Science degree with First Class Honours from the Council for National Academic Awards in Civil Engineering as well as the Institution of Civil Engineers' Prize for his outstanding undergraduate performance. He was previously in-charge of the architecture, engineering and construction of all in-house projects for 10 years with Hopewell Holdings from 1993 to 2003. Before joining the Group, he worked in Singapore, Kenya, England and Hong Kong and acquired a wide range of design and construction experiences in highways, bridges, buildings, dam and tunnel structures. He is also an expert in applying slipform and climbform techniques.

Mr. Li Jia HUANG

Aged 63 and an Executive Director of the Company since 3rd July, 2003, he is responsible for overseeing the daily operation and management of Guangzhou-Shenzhen Superhighway and is also a director of various members of the Group. He joined Hopewell Holdings in 1996 and was responsible for the operations and management of the expressways in Guangdong Province. He was previously General Manager of Guangdong Provincial Highway Construction Company. During the years from 1961 to 1979, he held senior positions in various commissions in Zhaoqing Municipality of PRC.

Mr. Cheng Hui JIA

Aged 64 and an Executive Director of the Company since 3rd July, 2003, he is responsible for liaison and project coordination with various PRC government authorities. He was primarily engaged in the development of projects in the PRC during the 18 years with Hopewell Holdings. He was an Assistant to Chairman. He previously worked in aerospace research in the PRC for many years. He graduated from Harbin Industry University in 1964 with a Bachelor of Science degree.

Mr. Barry Chung Tat MOK

Aged 47, he was appointed an Executive Director of both the Company and Hopewell Holdings on 15th August, 2005. He has a Bachelor Degree in Economics/Accounting from the University of Reading, United Kingdom. He has over 20 years of experience in banking and finance with extensive knowledge in corporate finance, structured finance, derivatives and other financial products. He was previously the Chief Executive of BOCI Capital Limited, a wholly-owned subsidiary of Bank of China, Beijing and the Group General Manager - Business Development of Sino Land Company Limited.

Independent Non-Executive Directors**Mr. Philip Tsung Cheng FEI**

Aged 63, he was appointed an Independent Non-Executive Director of the Company on 10th July, 2003 and is also a member of the Audit Committee of the Company. He was awarded a Bachelor of Architectural Engineering degree from Cheng-Kung University in Taiwan in 1962, a Bachelor of Architecture degree from North Carolina State University in 1965 and a Master of Science degree in City Planning from Pratt Institute in the U.S. in 1974. He is currently the managing partner at Fei & Cheng Associates, an architectural and planning firm. He has over 30 years' experience in planning and architectural projects. Prior to establishing Fei & Cheng Associates, he worked for a number of architecture firms in the U.S.

Mr. Lee Yick NAM

Aged 58, he was appointed an Independent Non-Executive Director of the Company on 10th July, 2003 and is also an Independent Non-Executive Director of Hopewell Holdings. He is the Chairman of the Audit Committees and a member of the Remuneration Committees of both the Company and Hopewell Holdings. He holds a certificate in management studies from Carnegie Mellon University of the United States in 1977. He has over 30 years' experience in the banking, investment and finance industry. He was an Executive Director of Liu Chong Hing Bank from 1990 to 2001. Prior to that, he was a Vice President at Citibank, Mellon Bank and American Express Bank. He was appointed as a member of the Hong Kong Deposit Protection Board on 1st July, 2004.

Mr. Kojiro NAKAHARA

Aged 64, he was appointed an Independent Non-Executive Director of the Company on 10th July, 2003 and is also a member of the Audit Committee of the Company. He graduated from Tokyo Mercantile Marine University in 1964 with a Bachelor degree in Marine Engineering. He joined Kanematsu Corporation in 1964 had held various senior positions in Tokyo, Singapore and Hong Kong offices and was appointed Managing Director of Kanematsu (Hong Kong) Limited in 1996 and retired in 2000.

Mr. Gordon YEN

Aged 35, he was appointed an Independent Non-Executive Director of the Company on 10th July, 2003 and is also a member of the Remuneration Committee of the Company. He was awarded a Bachelor of Manufacturing Engineering degree from Boston University, U.S. in 1990 and a Master of Business Administration degree from McGill University, Canada in 1992. He is currently an Executive Director of Fountain Set (Holdings) Limited.

EARNINGS BEFORE INTEREST AND TAX

1,183 HK\$ million





Through co-operative joint venture arrangements, the Group has invested in three expressway projects in the Pearl River Delta region ("PRD"), being 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"). The total length of these expressways is about 180 km, connecting Shenzhen, Dongguan, Guangzhou and Foshan where are the most thriving and prosperous cities in the southern China region. For the financial year ended 30th June, 2005, the GS Superhighway, the ESW Ring Road and the Phase I West all recorded robust growth in traffic and toll revenue. Compared to the last financial year, the aggregate average daily traffic of the three expressways increased 25%; whereas, the total toll revenue increased 22% to RMB 3.5 billion.

The opening of new airport and seaports, the implementation of the Closer Economic Partnership Arrangements and the formation of the Pan-PRD programmes are the key favourable factors to drive the economic growth in the PRD. The growth of the gross domestic product and private car ownership in the PRD have brought into additional traffic flow and driven continuous traffic growth in the region. The Group strategically holding three major expressways in the PRD core

expressway network and well positioned to widen these existing expressways and invest new expressways, has laid a concrete foundation for future investments and development.

In December 2004, our three expressways were connected to the Guangdong Government's engineered provincial expressways unitoll system. Since then, our expressways are able to accept "Yuetong IC-Card" as electronic payment for toll and also facilitate non-stop electronic toll payment. All these have provided drivers with a more convenient and rapid toll payment service, and therefore enhanced the toll collection efficiency. Effective from 1st June, 2005, in response to the PRC country's policy to support freight transportation development and encourage heavy trucks not to be overloaded on expressways, the Guangdong Government lowered the toll rate multiple of class 5 vehicles on all expressways in Guangdong. Under which the toll rate multiple of class 5 vehicles was down from 5 to 4.5 on the GS Superhighway and the ESW Ring Road, and from 4 to 3.5 on the Phase I West. On the same day, the PRC authorities cut the business tax rate on toll income of all expressways in the PRC from 5% to 3%. After all, the Group does not expect the aforesaid two adjustments will have any material impact on the Group.

Guangzhou-Shenzhen Superhighway (“GS Superhighway”)

The GS Superhighway is currently the only expressway directly connecting Guangzhou, Dongguan, Shenzhen and Hong Kong. It is a 122.8 km long, closed system, fully lit dual three-lane expressway with 18 interchanges.

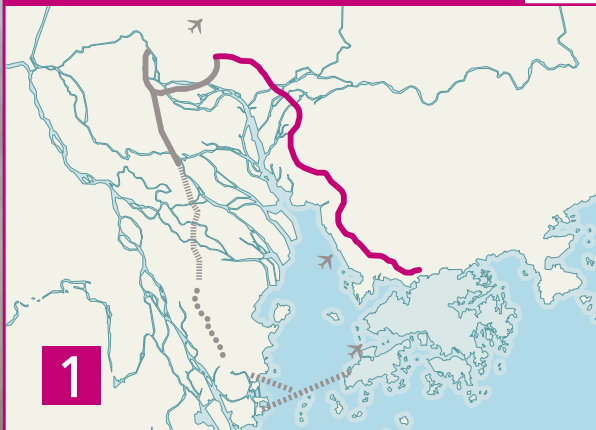
Being the main artery in the expressway network of the PRD, it closely connects to the major cities, airports, ports and the expressways including Jihe Expressway, Humen Bridge, Guangzhou Second Ring Road Northern Section and Guangzhou Ring Road. It will further connect to the Nanping Expressway in Shenzhen, Changhu Expressway in Dongguan and Guangzhou Second Ring Road Eastern Section once completed. The traffic flow and toll revenue of the GS Superhighway have exhibited continuous robust growth since it opened to traffic in 1994.

Over the past financial year, its average daily traffic rose 21% to 229,000 vehicles and annual toll revenue increased 18% to RMB 3 billion. When the Changhu Expressway and the Nanping Expressway open to traffic in the coming year, the GS Superhighway will further be fueled with additional traffic.



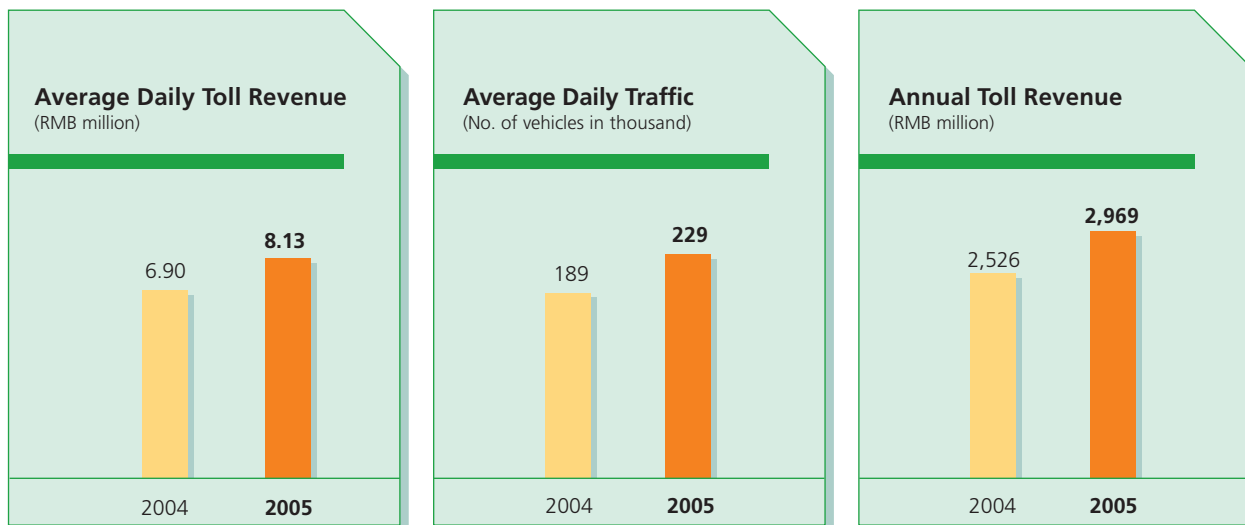


PROJECT SUMMARY



Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lane	Dual three lane
Class	Expressway
JV Contractual Operation Period	Jul 1997 – Jun 2027
Profit Sharing Ratio	Year 1-10 : 50% Year 11-20 : 48% Year 21-30 : 45%

GS Superhighway Joint Venture



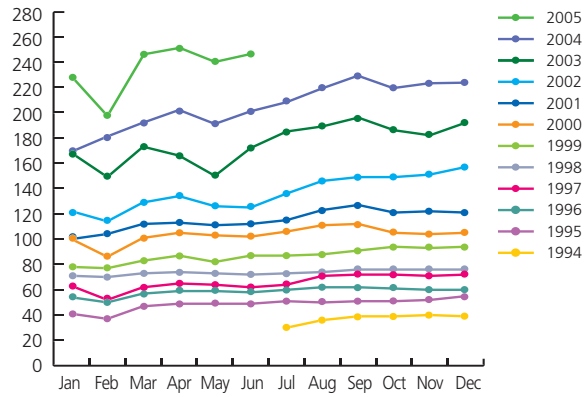
The joint venture company's main objective is to persistently upgrade the GS Superhighway's service standards and improve its ancillary facilities. During the year, the joint venture company joined hands with the local governments to reconstruct the Changan and Luogang interchanges to further improve their connections with local roads. It also expanded the toll station that connected to the Jihe Expressway to increase throughput capacity. In view of the further economic development of the PRD, the Group together with the joint venture company have been studying the feasibility of widening the GS Superhighway from its current total 6 lanes to 10 lanes.

Benefiting from the continuous economic growth of Guangdong Province, especially the PRD, and the substantial increase in car ownership, the Group believes that the traffic flow and toll revenue of the GS Superhighway will continue stable growth.

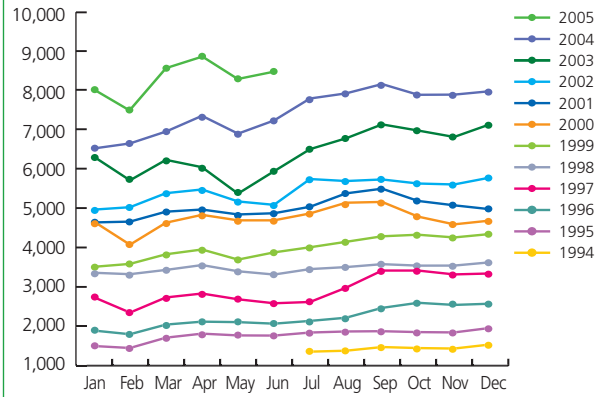


GS Superhighway Joint Venture

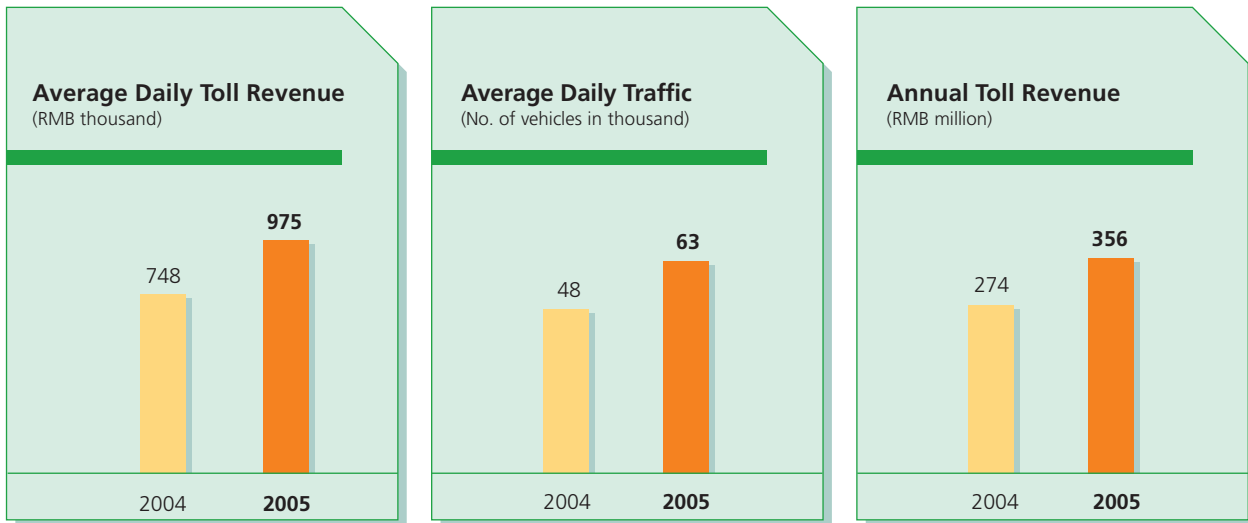
Average Daily Traffic
(No. of vehicles in thousand)



Average Daily Toll Revenue
(RMB thousand)



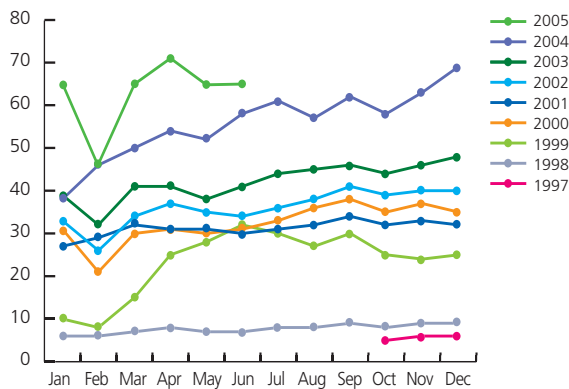
ESW Ring Road Joint Venture



ESW Ring Road Joint Venture

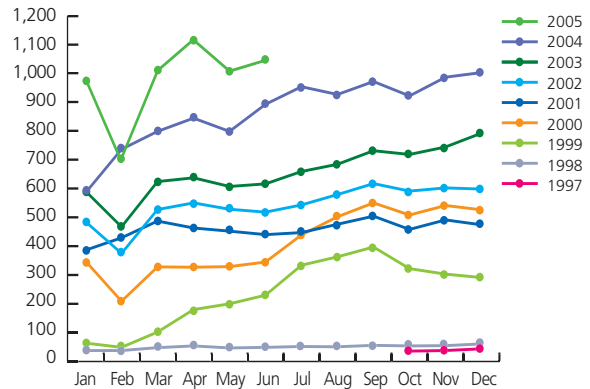
Average Daily Traffic

(No. of vehicles in thousand)

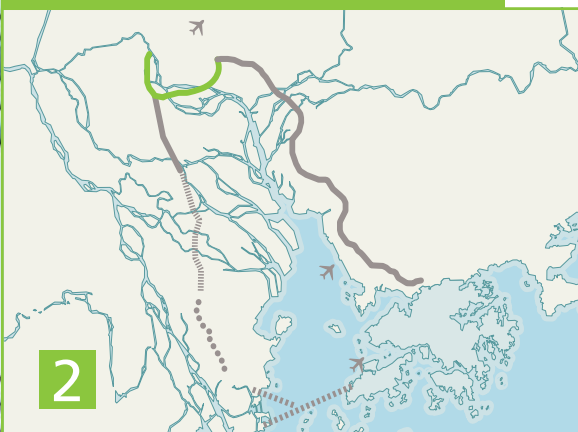


Average Daily Toll Revenue

(RMB thousand)



PROJECT SUMMARY



Location	Guangzhou, Guangdong, PRC
Length	38 km
Lane	Dual three lane
Class	Expressway
JV Contractual Operation Period	Jan 2002 – Dec 2031
Net Cash Flow Sharing Ratio	Year 1-10 : 45.0% Year 11-20 : 37.5% Year 21-30 : 32.5%

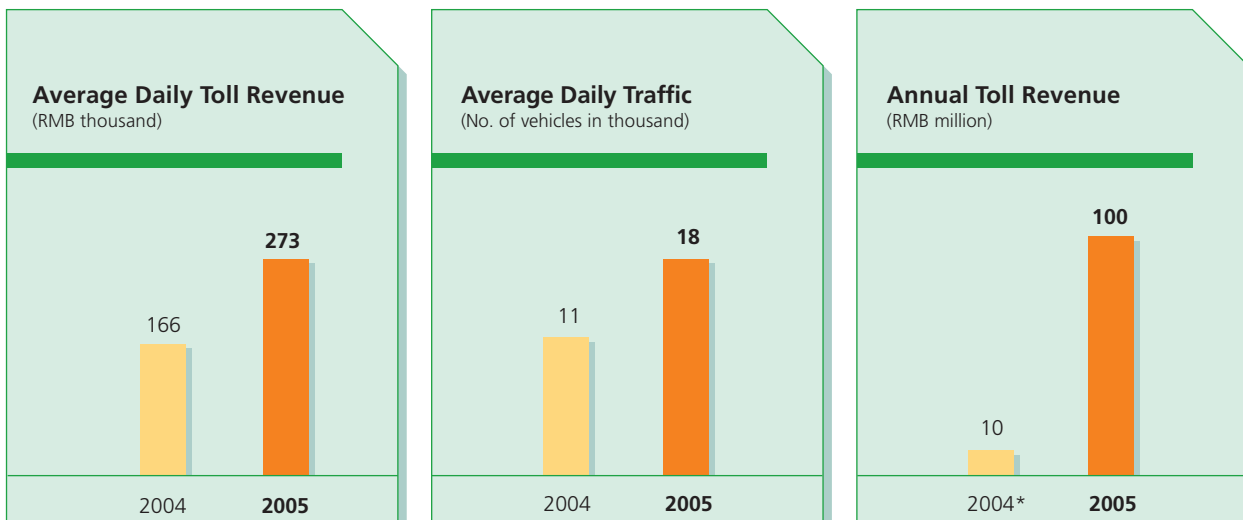
The ESW Ring Road is a 38 km long, dual three lane closed system expressway with 12 toll stations. It is a major route of the expressway network in the PRD and Guangzhou, with connections to the GS Superhighway, the Guangzhou Northern Ring Road, the Guangfo Expressway, the Nansha Port Expressway, the Phase I West and major feeder roads of Guangzhou, creating a circular transportation artery surrounding the central part of Guangzhou city.

During the review period, the ESW Ring Road continued to record robust growth in traffic and toll revenue. Its average daily traffic flow was 63,000 vehicles and annual toll revenue reached RMB 356 million, representing a 32% and 30% growth respectively.

Subsequent to the operation of the Phase I West in April 2004, the Guangzhou New Airport opened in August 2004 and the Nansha Port Expressway connected to the ESW Ring Road was also operational in December 2004. They all brought in further traffic growth to the ESW Ring Road.

The Group believes that the economic development of Guangzhou will continue to be the spearhead in Guangdong Province. With the opening of the Nansha Port Expressway and the Phase I West, together with the successive completion of some connecting expressways to the ESW Ring Road, the ESW Ring Road will further display its important position in Guangzhou expressway network, expediting its continuous growth.

Phase I West Joint Venture



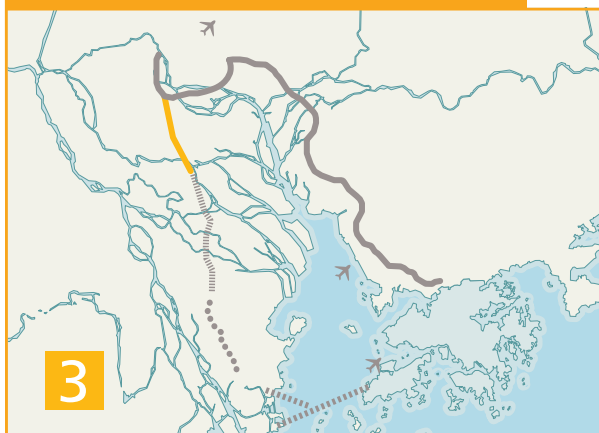
* Operation started on 30th April, 2004 with 2 months' results only.

The Phase I West is a 14.7 km long dual three lane expressway. It connects ESW Ring Road in the north to both National Highway 105 and Bigui Road of Shunde in the south. Its first full year operation was profitable, a remarkable performance for an operating toll road.

Benefiting from the rapid economic growth of Guangzhou and Foshan, the Phase I West recorded remarkable growth both in traffic flow and toll revenue since it opened to traffic on 30th April, 2004. During the year under review, the average daily traffic increased 59% to 18,000 vehicles and the daily toll revenue rose 64% to RMB 273,000. Its annual toll revenue reached RMB100 million.

Currently, the Phase I West is the only expressway directly linking Guangzhou and the Shunde district of Foshan. It significantly reduces the traveling time between these two areas from 40 minutes to 10 minutes. The Group believes that this favorable factor will continue to strengthen the role of the Phase I West as the main artery between Guangzhou and Shunde.

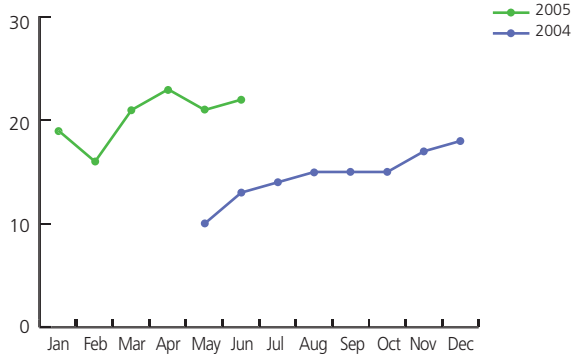
PROJECT SUMMARY



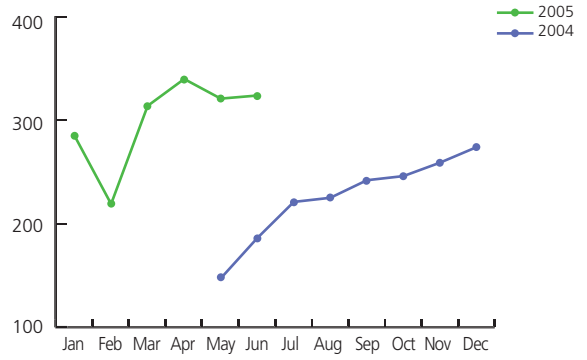
Location	Guangzhou to Shunde, Guangdong, PRC
Length	14.7 km
Lane	Dual three lane
Class	Expressway
JV Contractual Co-operation Period	Sep 2003 - Sep 2033
Profit Sharing Ratio	50%

Phase I West Joint Venture

Average Daily Traffic
(No. of vehicles in thousand)



Average Daily Toll Revenue
(RMB thousand)



The Western Delta Route will be constructed in three phases. The Phase I West started operations on 30th April, 2004. In July 2004, the Group conditionally amended the agreements with the PRC partner of Phase I West to include the Phase II West. It is pending the approvals of the relevant authorities. The Phase II West is approximately 46 km long. It connects the Phase I West in Shunde and extends to Zhongshan in the south. Preparation works have actively been

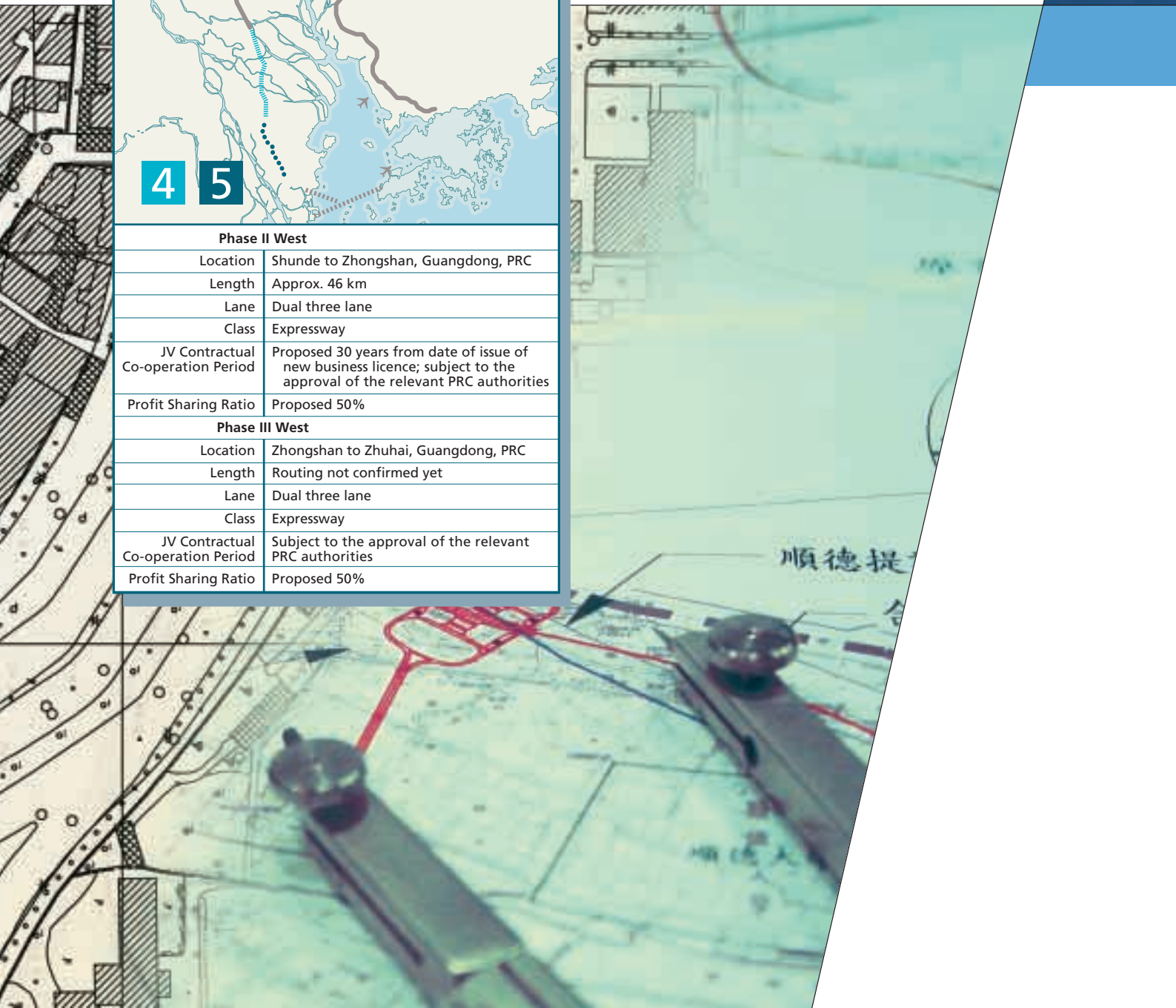
underway. Construction of the Phase II West is expected to be carried out at the end of 2005, subject to finalisation of necessary approvals. In addition, negotiation of the terms of co-operation of the Phase III West with the PRC partner is close to finalisation. Upon completion of the whole Western Delta Route, it will become a vital expressway directly linking Guangzhou with Nanhai, Shunde, Zhongshan and Zhuhai on the west bank of the PRD. The Group believes that this project will be a strategic route in the western part of the PRD.

PROJECT SUMMARY



4 5

Phase II West	
Location	Shunde to Zhongshan, Guangdong, PRC
Length	Approx. 46 km
Lane	Dual three lane
Class	Expressway
JV Contractual Co-operation Period	Proposed 30 years from date of issue of new business licence; subject to the approval of the relevant PRC authorities
Profit Sharing Ratio	Proposed 50%
Phase III West	
Location	Zhongshan to Zhuhai, Guangdong, PRC
Length	Routing not confirmed yet
Lane	Dual three lane
Class	Expressway
JV Contractual Co-operation Period	Subject to the approval of the relevant PRC authorities
Profit Sharing Ratio	Proposed 50%





Hong Kong-Zhuhai-Macau Bridge Project

It was reported in the media that the feasibility study of the Hong Kong-Zhuhai-Macau Bridge project was completed at the end of 2004. Following reviews by the relevant authorities and experts, the recommended alignment and landing sites are San Shek Wan of Lantau Island in the eastern end and Gong Bei / Perola in the western end. 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.



Employees and Remuneration Policies

As at 30th June, 2005, the Group, excluding the joint venture companies, had a total of 39 full-time staff, with 33 in Hong Kong and 6 in the PRC. The Group continues to provide competitive remuneration packages to employees based on the market situation and individual performance. In addition, the Group also provides various fringe benefits including medical and personal accident insurance coverage. Share options under the share option scheme as detailed in the Directors' Report and discretionary bonuses may be granted to employees based on individual performance and the Group performance as well. To maintain the proficiency and productivity of our staff, training programs are conducted on an ongoing basis throughout the Group.

Relations with Shareholders and Investors

The Company is committed to better corporate transparency by providing a wide range of information on the Group including corporate announcements, interim and annual reports, business activities, monthly traffic and revenue information for the Group's expressways on the corporate website, www.hopewellhighway.com, which is interlinked with the website of the holding company, Hopewell Holdings Limited, www.hopewellholdings.com. In addition to providing shareholders and investors with forums to raise comments and exchange views with the Directors at general meetings and press and analysts conferences subsequent to each interim and final results announcement, the Company also actively participates in numerous road shows, investors' conferences, company visits and conference calls with financial analysts, fund managers and potential investors to communicate and explain its strategies. Views and suggestions of shareholders and investors are also solicited via investor relations team at ir@hopewellhighway.com.

Group Results

For the financial year ended 30th June, 2005, the toll revenue of the Group increased by 22% to HK\$1,514 million from HK\$1,245 million of the last financial year, mainly due to the rise in traffic flow of the Group's expressways in the People's Republic of China (the "PRC"). Of the total toll revenue, the Guangzhou-Shenzhen Superhighway ("GS Superhighway") contributed 88% or HK\$1,327 million, the Guangzhou East-South-West Ring Road ("ESW Ring Road") contributed 9% or HK\$143 million and the Phase I of the Western Delta Route ("Phase I West") contributed 3% or HK\$44 million. The growth in toll revenue by HK\$269 million, of which, the GS Superhighway contributed HK\$197 million, the ESW Ring Road contributed HK\$33 million and the Phase I West contributed HK\$39 million.

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

	Year ended 30th June	
	2004 HK\$ million	2005 HK\$ million
GS Superhighway	1,130	1,327
ESW Ring Road	110	143
Phase I West	5	44
	1,245	1,514

Total expenses for the year ended 30th June, 2005, including toll operation expenses, depreciation and amortisation charges and general and administrative expenses increased 10% from HK\$411 million of the last financial year to HK\$451 million, mainly due to an increase in depreciation and amortisation charges. Since, under the Group's accounting policies, depreciation and amortisation charges of toll roads and additional investment costs are calculated based on the ratio of actual traffic volume in the year concerned compared to the total expected traffic volume over the remaining concession period of the respective jointly controlled entity. Depreciation and amortisation charges increased HK\$42 million in this financial year due to the stronger than expected growth of traffic flow.

The Group's earnings before interest and tax increased 28% from HK\$923 million to HK\$1,183 million for the year ended 30th June, 2005 and net profit increased 23% from HK\$735 million to HK\$901 million correspondingly, mainly due to the robust growth in toll revenue.

Although 7.5% PRC income tax has been charged for the first time on the profit derived from the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") since 1st January, 2005 after the expiry of a 5-year full exemption, its net profit still had a 16% increase over that of the last financial year.

Liquidity and Financial Resources

As a result of stable cash flow generated from its assets, the Group's gearing ratio (net debt to equity) was further improved to 30% as at 30th June, 2005 (2004: 36%). The Group's total debt to total assets ratio was stable at 36% (2004: 37%) and the gearing structure is set out below:

	As at 30th June	
	2004 HK\$ million	2005 HK\$ million
Total Debt	5,789	5,587
Net Debt ^(Note)	3,325	2,791
Total Assets	15,408	15,500
Equity	9,180	9,453
Total Debt / Total Assets	37%	36%
Net Debt / Total Equity	36%	30%

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

As at 30th June, 2005, bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,796 million (2004: HK\$4,951 million), with the following profile:

- (a) 98% was bank loans (2004: 98%) and 2% was other loans (2004: 2%); and
- (b) 72% was denominated in US dollars (2004: 72%) and 28% was denominated in Renminbi (2004: 28%).

The net current assets of the Group increased 71% from HK\$1,464 million as at 30th June, 2004 to HK\$2,497 million as at 30th June, 2005.

Debt Maturity Profile

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 30th June, 2005 as compared to that at 30th June, 2004 is shown as follows:

	As at 30th June	
	2004	2005
Repayable within 1 year	3%	4%
Repayable between 1 to 5 years	32%	36%
Repayable beyond 5 years	65%	60%

The Group has no unconsolidated bank borrowings both at 30th June, 2005 and 2004. Bank borrowings of the jointly controlled entities carry floating interest rates.

The extension of the bank loan maturities for the ESW Ring Road and the GS Superhighway by approximately an average of 3.5 years subsequent to the respective refinancing in June and August 2005 has further improved the Group's liquidity position. In addition, the Group obtained a fully underwritten commitment in August 2005 for a 5-year HK\$3.6 billion unsecured syndicated bank revolving credit and term loan facilities. These will definitely strengthen 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 the Hong Kong Dollar is pegged to US Dollar, and the exchange rate between Renminbi and Hong Kong Dollar is relatively stable during the year. Business operations of the Group and its jointly controlled entities are mainly denominated in these three currencies.

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 Dollar and Hong Kong Dollar as well as overseas listed held-to-maturity debt securities.

Charges on Assets

As at 30th June, 2005, certain assets of the jointly controlled entities of the Group have been pledged to banks with a total net book value of approximately HK\$7,519 million (2004: HK\$7,647 million) to secure general banking facilities granted to the jointly controlled entities. The net book value of these assets are analysed as follows:

	As at 30th June	
	2004 HK\$ million	2005 HK\$ million
Toll roads	7,179	6,989
Prepaid lease payments	87	84
Bank deposits	319	334
Other assets	62	112
	7,647	7,519

In addition, the toll collection right of the GS Superhighway JV has been pledged to banks to secure its general banking facilities granted. The 90% (2004:100%) and 65% (2004:65%) of the toll collection rights of the Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV") and the Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") respectively have been pledged to banks to secure general banking facilities granted to the respective jointly controlled entities.

Capital Commitments

As at 30th June, 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 Phase II of the Western Delta Route amounting to approximately HK\$805 million (2004: Nil) which is expected to be spent over the next three calendar years. In addition, the GS Superhighway JV and the Ring Road JV had outstanding commitments in respect of acquisition of property and equipment contracted but not provided for amounting to approximately HK\$4 million (2004: HK\$23 million).

Contingent Liabilities

As at 30th June, 2005, there was no material change in contingent liabilities of the Group since the last financial year.

Material Acquisition or Disposal

During the year ended 30th June, 2005, there was neither material acquisition nor disposal of the Company's subsidiaries and associates.

The Directors have pleasure in presenting their annual report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30th June, 2005.

Principal Activities

The principal activity of the Group is to initiate, promote, develop and operate strategically important roads, tunnels, bridges and related infrastructure projects in the People's Republic of China ("PRC") through its jointly controlled entities established in the PRC. The principal activity of the Company is investment holding.

Results

The results of the Group for the year ended 30th June, 2005 are set out in the Consolidated Income Statement on page 39.

Dividends

The Directors recommend the payment of a final dividend of HK12.75 cents (2004: HK12.5 cents) per share which, together with the interim dividend of HK10.25 cents (2004: HK10 cents) per share paid on 30th March, 2005, will result in total dividends for the year of HK23 cents per share (2004: HK22.5 cents).

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Operations Review" as set out on pages 12 to 24.

Share Capital

Particulars of share capital of the Company during the year are set out in note 23 to the financial statements.

Reserves

Movements in reserves of the Group during the year are set out in Consolidated Statement of Changes in Equity and note 24 to the financial statements.

Fixed Assets

Movements in property and equipment of the Group during the year are set out in note 13 to the financial statements.

Major Customers and Suppliers

The principal business of the Group is to initiate, promote, develop and operate strategically important roads, tunnels, bridges and related infrastructure projects in the PRC. There are no major customers and suppliers in view of the nature of the Group's business.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries of shares in the Company during the year.

Directors

The Directors of the Company as at the date of this report are listed on pages 8 to 11 of the annual report. Changes of directors during the year are as follows:

Mr. Christopher Shih Ming IP	(resigned on 5th January, 2005)
Mr. Barry Chung Tat MOK	(appointed on 15th August, 2005)

In accordance with the Company's Articles of Association, Ir. Leo Kwok Kee LEUNG, Mr. Li Jia HUANG, Mr. Cheng Hui JIA, Mr. Kojiro NAKAHARA and Mr. Barry Chung Tat MOK will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Profile of Directors

Profile of the Directors of the Company as at the date of the report are set out on pages 8 to 11.

Senior Management

Mr. Kenneth Kwok Keung LEUNG, aged 42, Qualified Accountant, joined the Company as Financial Controller in September 2004. He is responsible for overseeing the financial management and accounting functions of the Group. He holds a Bachelor degree in Accountancy from the City University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors of the Company who are also regarded as members of the Group's senior management.

Directors' Interest in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or were parties and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30th June, 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 ^(vi)	11,124,999	3,068,000 ^(vi)	–	22,933,402	0.80%
Eddie Ping Chang HO	2,165,600 ^(vii)	–	–	–	–	–	2,165,600	0.07%
Thomas Jefferson WU	450,000 ^(viii)	4,084,000	–	82,000	–	–	4,616,000	0.16%
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 commencing on 6th August, 2003.
- (iii) These 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 1,936,000 shares, family interests of 24,600 shares and corporate interests of 205,000 shares.
- (viii) The interests in 450,000 shares represented beneficial interests of Mr. Thomas Jefferson WU.

(B) Associated Corporation

Hopewell Holdings Limited ("HHL")

Directors	HHL Shares				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 ⁽ⁱⁱ⁾	111,250,000	30,680,000	235,584,032	26.24%
Eddie Ping Chang HO	25,360,000	246,000	2,050,000	–	27,656,000	3.08%
Thomas Jefferson WU	27,120,000	–	820,000	–	27,940,000	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%

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 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 of associated corporation were long positions.

Save as aforesaid, as at 30th June, 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.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund (“MPF”) Schemes Ordinance, the Group has set up the MPF Scheme. Mandatory contributions to this scheme is made by both the employer and employees at 5% of the employees’ monthly relevant income capped at HK\$20,000. During the year, the Group made contribution to the MPF Scheme amounted to approximately HK\$359,000.

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. A summary of some of the principal terms of the Option Scheme is set out in (b) below.
- (b) The purpose of the Option Scheme is to provide the Company with a flexible 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 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.

Under the Option Scheme, the maximum number of shares in the Company which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme of the Company will not exceed 10% of the total number of shares of the Company in issue immediately following completion of the initial public offering, unless a fresh approval of shareholders of the Company is obtained. The maximum entitlement of each participant under the Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company. As at the date of this report, a total of 283,200,000 shares (representing 9.8% of the issued share capital of the Company) are available for issue under the Option Scheme.

The period during which an option may be exercised will be determined by the Board of Directors of the Company at its absolute discretion and shall expire not later than 10 years after the date of grant. Unless otherwise determined by the Board of Directors of the Company and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine and notified to a participant. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, being the date on which the offer is accepted (or, if such date is not a business day, the next following business day ("Grant Date")); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value of a share in the Company.

- (c) Details of the movement of share options under the Option Scheme during the year ended 30th June, 2005, were as follows:

	Date of grant	Exercise Price HK\$	Balance of outstanding options at 01/07/2004	Options granted during the year	Options exercised during the year	Options cancelled/lapsed during the year	Balance of outstanding options at 30/06/2005	Exercise period	Closing price immediately before date of grant falling within year HK\$
Directors									
Leo Kwok Kee LEUNG	08/09/2004	4.875	–	2,000,000	–	–	2,000,000	08/09/2004 – 07/09/2007	4.875
Christopher Shih Ming IP ^(Note)	13/09/2004	4.880	–	2,000,000	2,000,000	–	–	13/09/2004 – 12/09/2007	4.850
Employee									
	08/09/2004	4.875	–	800,000	400,000	–	400,000	08/09/2004 – 07/09/2007	4.875
Total			–	4,800,000	2,400,000	–	2,400,000		

Note: Mr. Christopher Shih Ming IP resigned as 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.

All options granted are exercisable from the date of grant.

The fair values of the share options granted during the year with the exercise price per share of HK\$4.875 and HK\$4.88 are estimated at HK\$0.27 and HK\$0.28 respectively using the Black-Scholes option pricing model at the dates of grant. The values are estimated based on the risk-free rate of 2.325% per annum with reference to the rate on the 3-year Exchange Fund Notes, an estimated one-year historical volatility of 1.47% of the closing price of the shares of the Company, and assuming an expected option life of 3 years and same level of annual dividends as the last year's dividends of HK22.5 cents per share over the option life.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Number of Ordinary Shares

As of 30th June, 2005, the number of ordinary shares was 2,888,382,761 and if all outstanding warrants and share options, totalling 83,950,875 shares, were to be exercised, the number of ordinary shares would increase to 2,972,333,636 shares.

Arrangements to Acquire Shares or Debentures

Save as the warrants and share options disclosed in the previous section headed "Directors' Interest in Shares, Underlying Shares and Debentures – the Company", at no time during the year ended 30th June, 2005 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors' Remuneration

The Directors' fees are determined by shareholders at the annual general meeting and the other emoluments payable to Directors are determined by the Board of Directors with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Service Contracts of Directors

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation). All the independent non-executive directors of the Company are appointed for a fixed period but subject to retirement by rotation at the annual general meetings of the Company in accordance with the Company's Articles of Association.

Management Contracts

No contract of significance concerning the management and administration of the whole or any substantial part of any business of the Company was entered into during the year or subsisted at the end of the year.

Substantial Shareholders

As at 30th June, 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 ^(Note)	74.78%
Delta Roads Limited	Interests of controlled corporation	2,160,000,000 ^(Note)	74.78%
Dover Hills Investments Limited	Interests of controlled corporation	2,160,000,000 ^(Note)	74.78%
Supreme Choice Investments Limited	Interests of controlled corporation	2,160,000,000 ^(Note)	74.78%
Hopewell Holdings Limited	Interests of controlled corporation	2,160,000,000 ^(Note)	74.78%

Note:

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

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 30th June, 2005.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Code of Best Practice and Model Code

The Company has complied with the Code of Best Practice set out in the then Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") throughout the year ended 30th June, 2005. The Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "Code of CG Practices") which is applicable to the Company for the financial year commencing 1st July, 2005. The Company has proceeded to take measures to comply with the Code of CG Practices.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code for the year under review.

Confirmation on Independence

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers such Directors to be independent.

Connected Transaction

During the year, the Group has entered into the following transaction as described below with the person who is a “connected person” of the Company for the purposes of the Listing Rules:

On 14th July, 2004, two conditional amending agreements (“Amending Agreements”) were entered into between Hopewell Guangzhou-Zhuhai Superhighway Development Limited (“HHI West HK Co”), a wholly owned subsidiary of the Company, and Guangdong Provincial Highway Construction Company Limited (“West Route PRC Partner”) in connection with the investment in and the planning, design, construction and operation of Phase II of the Western Delta Route (“Phase II West”) through Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (“West Route JV”). The Amending Agreements were to amend the Sino-foreign co-operative joint venture contract dated 5th January, 2004 made between HHI West HK Co and West Route PRC Partner and to amend the articles of association of West Route JV dated 5th January, 2004.

The major terms of the Amending Agreements were to expand the areas of co-operation to include Phase II West and related facilities in addition to Phase I of the Western Delta Route (“Phase I West”) with an estimated total amount of investment in Phase II West of RMB 4,900 million. The registered capital of West Route JV will be increased by RMB1,715 million (from RMB588 million to RMB2,303 million) which will be contributed in cash by HHI West HK Co and West Route PRC Partner in equal share.

Subject to the approval of the relevant PRC authorities, the co-operation period will be 30 years commencing on the date on which new business licence of West Route JV is issued. The co-operation period may be extended by unanimous approval by the board of directors of West Route JV and the relevant regulatory authorities within six months before the expiry of the co-operation period. Upon expiry of the respective co-operation period of Phase I West and Phase II West, all fixed assets will be transferred to the government department which regulates transportation at nil consideration and West Route JV will be dissolved with any assets remaining after satisfaction of outstanding liabilities to be distributed to West Route PRC Partner and HHI West HK Co in equal share.

Pursuant to Clause 46 of the Listing Agreement made between the Company and the Stock Exchange and the letter dated 7th August, 2003 from the Company’s ultimate holding company, Hopewell Holdings Limited (“HHL”) to the Stock Exchange, West Route JV, being a Sino-foreign co-operative joint venture enterprise jointly controlled by the Group and the West Route PRC Partner, which operates a toll road project, is deemed to be a subsidiary of the Company for the purposes of the then Chapter 14 of the Listing Rules. West Route PRC Partner currently has a 50% interest in each of West Route JV and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (which is a Sino-foreign co-operative joint venture between West Route PRC Partner and a subsidiary of the Company) and is accordingly deemed to be a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

The connected transaction, which details were contained in the joint press announcements by the Company and HHL dated 14th July, 2004 and 4th August, 2004 and the joint circular issued on 21st August, 2004, has been duly approved by Anber Investments Limited, the independent shareholder holding more than 50% in nominal value of the securities having the right to attend and vote at a general meeting, in lieu of holding a general meeting, pursuant to Rule 14A.43 of the Listing Rules.

Audit Committee

The Company has established an audit committee on 16th July, 2003. The audit committee comprises three Independent Non-Executive Directors, namely Mr. Lee Yick NAM, the chairman of the committee, Mr. Kojiro NAKAHARA and Mr. Philip Tsung Cheng FEI. Its duties include review and supervision of the financial reporting process and internal control system of the Group. It has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of unaudited interim financial statements and the audited annual financial statements. It has also reviewed the audited financial statements of the Group for the year ended 30th June, 2005.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Auditors

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Chairman

Hong Kong, 1st September, 2005

37

Financial Report

38 Report of the Auditors

39 Consolidated Income Statement

40 Consolidated Balance Sheet

42 Consolidated Statement of Changes in Equity

43 Consolidated Cash Flow Statement

45 Notes to the Financial Statements

Deloitte.

德勤

TO THE MEMBERS OF HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED

合和公路基建有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 39 to 75 which have been prepared in accordance with International Financial Reporting Standards.

Respective Responsibilities of Directors and Auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group as at 30th June, 2005 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

1st September, 2005

Consolidated Income Statement

For the year ended 30th June, 2005

	Notes	2004 HK\$'000	2005 HK\$'000
Turnover	4	1,244,950	1,514,408
Other operating income	5	89,188	119,662
Toll operation expenses		(109,158)	(98,336)
Depreciation and amortisation charges		(229,317)	(271,679)
General and administrative expenses		(72,658)	(80,960)
Profit from operations	6	923,005	1,183,095
Finance costs	7	(150,797)	(200,931)
Profit before tax		772,208	982,164
Income tax expense	8	(22,071)	(63,420)
Profit after tax		750,137	918,744
Minority interests		(15,362)	(17,827)
Profit for the year		734,775	900,917
Dividends	9	648,131	664,533
Earnings per share	10	HK cents	HK cents
– Basic		26.15	31.24
– Diluted		26.11	31.03

Consolidated Balance Sheet

At 30th June, 2005

	Notes	2004 HK\$'000	2005 HK\$'000
ASSETS			
Non-current Assets			
Property and equipment	13	9,544,711	9,360,085
Additional investment cost in jointly controlled entities	14	1,860,952	1,815,123
Investment in toll road project under development	16	37,889	46,315
Prepaid lease payments	17	129,038	124,193
Loans to jointly controlled entities	18	1,219,486	1,201,151
Investments in securities – mature over one year	19	711,398	–
		13,503,474	12,546,867
Current Assets			
Inventories		2,269	1,762
Other receivables, deposits and prepayments		82,666	70,850
Interest receivable from a joint venture partner	20	63,001	79,655
Prepaid lease payments	17	4,450	4,435
Investments in securities – mature within one year	19	1,046,195	737,591
Pledged bank deposits	21	319,211	333,534
Bank balances and cash	21	386,645	1,725,461
		1,904,437	2,953,288
Total Assets		15,407,911	15,500,155

	Notes	2004 HK\$'000	2005 HK\$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	23	288,059	288,838
Reserves	24	8,891,708	9,163,795
		9,179,767	9,452,633
Minority Interests			
		32,239	33,109
Non-current Liabilities			
Bank and other loans – due after one year	25	4,779,806	4,600,399
Loans from joint venture partners to jointly controlled entities	26	837,512	790,986
Deferred tax liabilities	27	138,289	166,890
		5,755,607	5,558,275
Current Liabilities			
Other payables, accruals and deposits received		188,673	140,492
Bank and other loans – due within one year	25	171,294	196,069
Interest payable to a jointly controlled entity	28	77,364	97,651
Other interest payable		2,967	4,304
Tax liabilities		–	17,622
		440,298	456,138
Total Liabilities		6,195,905	6,014,413
Total Equity and Liabilities		15,407,911	15,500,155

Thomas Jefferson WU
Managing Director

Alan Chi Hung CHAN
Deputy Managing Director

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2005

	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
Balance at 1st July, 2003	312	–	56,464	14,882	–	1,274,823	1,346,481
Exchange loss on operations outside Hong Kong (not recognised in the income statement)	–	–	–	(5,794)	–	–	(5,794)
Shares issued at premium on placing and public offer	72,000	2,937,600	–	–	–	–	3,009,600
Shares issued at premium on exercise of warrants	59	2,407	–	–	–	–	2,466
Share issue expenses	–	(119,717)	–	–	–	–	(119,717)
Capitalisation of amount due to immediate holding company	215,688	4,284,312	–	–	–	–	4,500,000
Profit for the year	–	–	–	–	–	734,775	734,775
Interim dividend paid	–	–	–	–	–	(288,044)	(288,044)
Transfer between reserves	–	–	20,096	–	–	(20,096)	–
Amount set aside for dividend payments for year ended 30th June, 2004	–	–	–	–	360,087	(360,087)	–
Balance at 30th June, 2004	288,059	7,104,602	76,560	9,088	360,087	1,341,371	9,179,767
Exchange loss on operations outside Hong Kong (not recognised in the income statement)	–	–	–	(5,957)	–	–	(5,957)
Shares issued at premium on exercise of warrants	539	22,003	–	–	–	–	22,542
Shares issued at premium on exercise of share options	240	11,470	–	–	–	–	11,710
Profit for the year	–	–	–	–	–	900,917	900,917
Final dividend for year ended 30th June, 2004 paid	–	–	–	–	(360,087)	(216)	(360,303)
Interim dividend paid	–	–	–	–	–	(296,043)	(296,043)
Transfer between reserves	–	–	8,429	–	–	(8,429)	–
Amount set aside for dividend payments for year ended 30th June, 2005	–	–	–	–	368,274	(368,274)	–
Balance at 30th June, 2005	288,838	7,138,075	84,989	3,131	368,274	1,569,326	9,452,633

Consolidated Cash Flow Statement

For the year ended 30th June, 2005

	2004 HK\$'000	2005 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	772,208	982,164
Adjustments for:		
Interest expenses	150,760	200,931
Interest income	(115,950)	(128,782)
Exchange losses, net	3,183	6,299
Depreciation and amortisation charges	229,317	271,679
Amortisation of premium on acquisition of held-to-maturity debt securities	48,087	40,826
Loss on disposal of held-to-maturity debt securities	–	751
Loss (gain) on disposal/write-off of property and equipment	7	(80)
Operating cash flows before movements in working capital	1,087,612	1,373,788
(Increase) decrease in inventories	(341)	507
Decrease (increase) in other receivables, deposits and prepayments	25,654	(8,588)
Increase (decrease) in other payables, accruals and deposits received	135,248	(55,249)
Cash generated from operations	1,248,173	1,310,458
Interest received	8,837	26,507
Income taxes paid	(237)	(17,197)
NET CASH FROM OPERATING ACTIVITIES	1,256,773	1,319,768
INVESTING ACTIVITIES		
Purchases of property and equipment	(811,115)	(62,722)
Proceeds on disposals of property and equipment	–	112
Additions of investment in toll road project under development	–	(256)
Additions of loans to a jointly controlled entity	(81,706)	–
Repayment of loans to jointly controlled entities	16,001	44,845
Acquisition of held-to-maturity debt securities	(2,091,378)	(301,120)
Redemption and disposal of held-to-maturity debt securities	243,828	1,277,476
Interest received from held-to-maturity debt securities	72,095	82,942
Increase in pledged bank deposits	(201,228)	(14,323)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,853,503)	1,026,954

Consolidated Cash Flow Statement

For the year ended 30th June, 2005

	2004 HK\$'000	2005 HK\$'000
FINANCING ACTIVITIES		
Net proceeds from issue of shares	2,892,349	34,252
New bank and other loans raised	353,250	31,926
Repayment of bank and other loans	(560,778)	(170,790)
Additions of loans from joint venture partners to jointly controlled entities	138,474	–
Repayment of loans from joint venture partners to jointly controlled entities	(20,762)	(44,389)
Repayment to holding companies	(543,452)	–
Interest paid	(158,135)	(178,421)
Dividends paid to:		
– shareholders	(288,044)	(656,346)
– a minority shareholder of a subsidiary	(12,837)	(16,957)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,800,065	(1,000,725)
NET INCREASE IN CASH AND CASH EQUIVALENTS	203,335	1,345,997
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	183,310	386,645
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	(7,181)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		
Bank balances and cash	386,645	1,725,461

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 arise 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.

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. Li Jia HUANG

Mr. Cheng Hui JIA

Mr. Philip Tsung Cheng FEI[#]

Mr. Lee Yick NAM[#]

Mr. Kojiro NAKAHARA[#]

Mr. 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

Mr. 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

Principal Bankers⁺

Agricultural Bank of China, Hong Kong Branch

Bank of China (Hong Kong) Limited

Bank of China, Guangdong Branch

Bank of Communications

Bank of East Asia, Limited

BNP Paribas, Hong Kong Branch

Caylon, Hong Kong

China Construction Bank Corporation, Guangdong Branch

China Construction Bank Corporation, Hong Kong Branch

Citibank N.A., Hong Kong Branch

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

Liu Chong Hing Bank Limited

Mizuho Corporate Bank, Limited

Sumitomo Mitsui Banking Corporation

⁺ 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 Registrar 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

Depository Bank Citibank, N.A., U.S.A.

Investor Relations

ir@hopewellhighway.com

Web Page

www.hopewellhighway.com

(as at 1st September, 2005)



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

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

Web Page : www.hopewellhighway.com

香港灣仔皇后大道東183號

合和中心64樓64-02室

電話 : (852) 2528 4975

圖文傳真 : (852) 2861 2068
(852) 2861 0177

網址 : www.hopewellhighway.com