

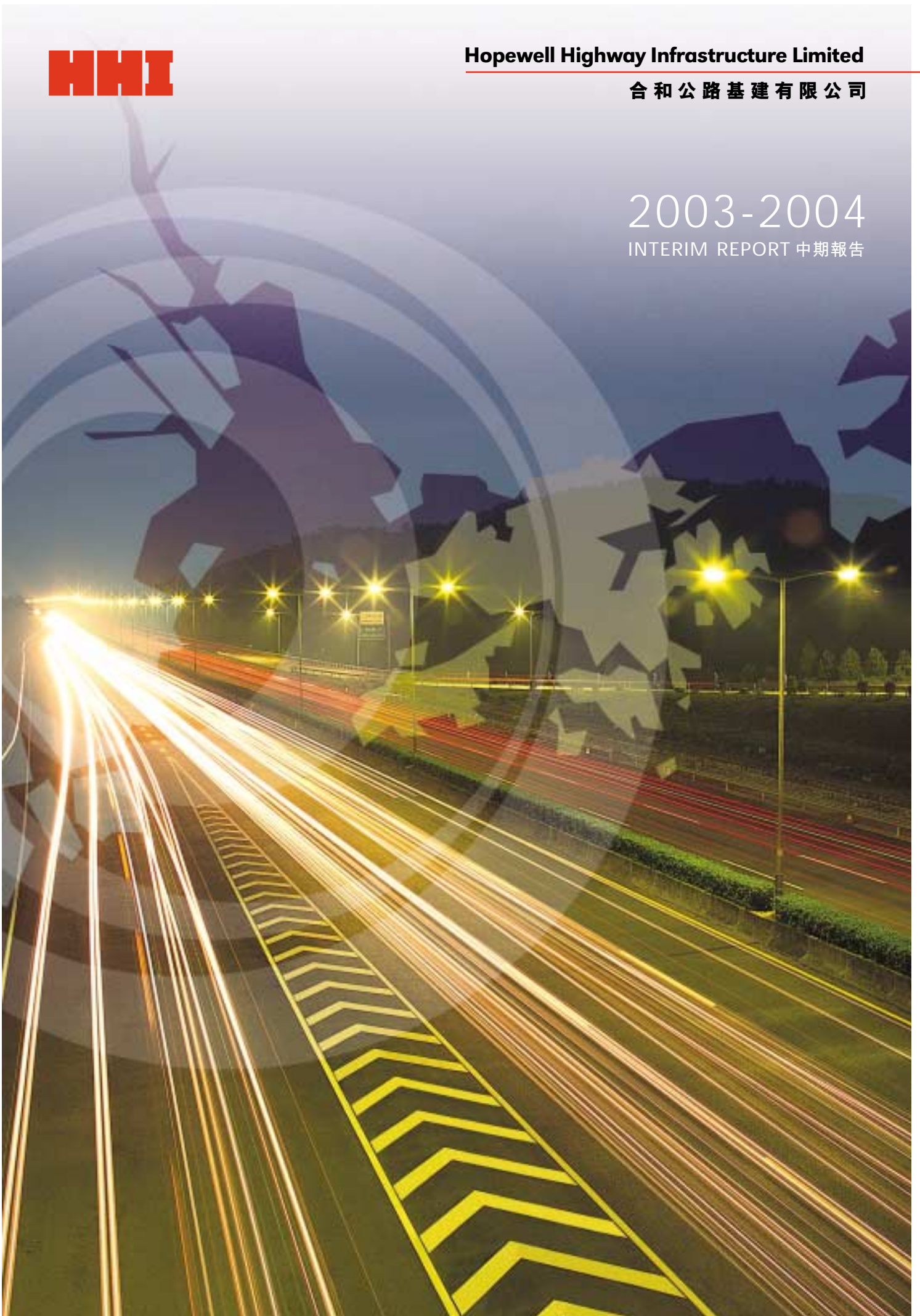


Hopewell Highway Infrastructure Limited

合和公路基建有限公司

2003-2004

INTERIM REPORT 中期報告



Highlights

- Toll revenue increased by 22% to HK\$617 million
- Net profit increased by 49% to HK\$361 million
- Total debt decreased by 17% to HK\$5,291 million
- Interim dividend of HK10 cents per share

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Group Results

For the six months ended 31st December, 2003, toll revenue increased by 22% to HK\$617 million from HK\$507 million when compared to the same period last year, driven in large part by the increase in traffic flow of the Group's expressways in the People's Republic of China ("PRC"). Of the total toll revenue, Guangzhou-Shenzhen Superhighway ("GS Superhighway") contributed 91%, or HK\$564 million, and Guangzhou East-South-West Ring Road ("ESW Ring Road") contributed 9%, or HK\$53 million. Of the HK\$110 million increase in toll revenue from the same period of the previous year, GS Superhighway contributed HK\$101 million, or 92%, and ESW Ring Road contributed HK\$9 million, or 8%. Other operating income increased by 23% from HK\$35 million to HK\$43 million largely due to interest income on listing proceeds. Total revenue (including toll revenue and other operating income) increased 22% from HK\$542 million in the six months ended 31st December, 2002 to HK\$660 million in the six months ended 31st December, 2003.

Unaudited net profit totaled HK\$361 million, representing an increase of 49% from HK\$242 million in the same period of the previous year, due to the strong growth in toll revenue and lower finance costs.

Total expenses, including toll operating expenses, depreciation and amortisation, and general and administrative expenses increased from HK\$177 million in the last corresponding period in 2002 to HK\$210 million in the six months ended 31st December, 2003, mainly due to the increase in depreciation and amortisation charges as well as administrative expenses. Since, under the Group's accounting policies, depreciation and amortisation charges of toll road and additional investment cost are calculated in reference to the actual units of traffic volume, depreciation and amortisation charges were higher by HK\$19 million this year due to the stronger growth in traffic. Finance costs decreased 29% from HK\$107 million to HK\$76 million due to the lower interest rate environment and the repayment of bank loans from listing proceeds.

Interim Dividend and Close of Register

The Board of Directors has resolved to pay an interim dividend of HK10 cents (year ended 30th June, 2003: nil) per ordinary share in respect of the financial year ending 30th June, 2004. The dividend will be paid on or about 25th March, 2004 to those shareholders as registered at the close of business on 18th March, 2004. The register of members and warrant holders of the Company will be closed from 15th March, 2004 to 18th March, 2004, both days inclusive, during which no transfer of shares and no transfer or exercise of warrants will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates and all completed subscription forms in relation to the exercise of the warrants accompanied by the appropriate subscription monies and the relevant warrant certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 12th March, 2004.

Business Review

Guangdong Province maintained its status as one of the fastest growing provinces in the PRC. The Pearl River Delta, which is one of the world's most important centers of industrial output, continued to develop rapidly. The Group is well positioned to benefit from the persistent economic growth in the Pearl River Delta and increase in vehicle ownership and usage. The Group recorded robust growth in traffic flow of 25% and toll revenue growth of 22% for the six months ended 31st December, 2003 compared with the corresponding period in 2002. With PRC's World Trade Organisation ("WTO") membership and the Closer Economic Partnership Arrangements ("CEPA") signed in June 2003, the Group expects continued growth at GS Superhighway and ESW Ring Road as well as the Phase 1 of the Western Delta Route ("Phase 1 West"), which is expected to be completed in May 2004.

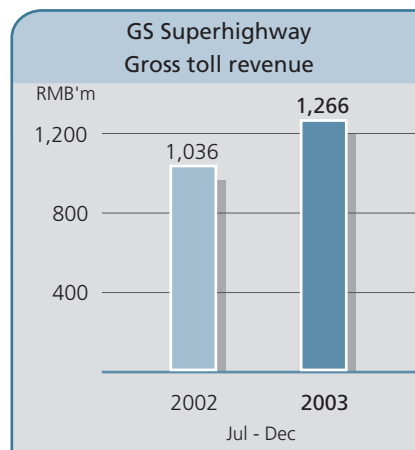
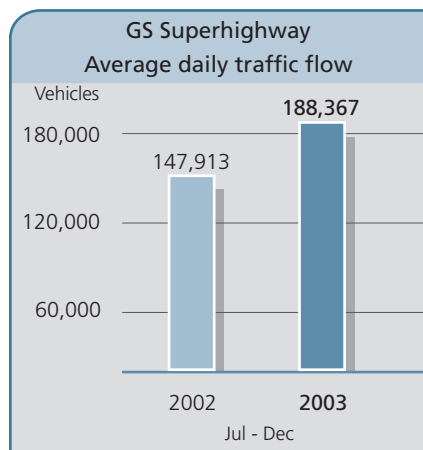
GS Superhighway

GS Superhighway is the principal route in the Pearl River Delta region's expressway network in which the Group has an interest, linking the four major cities of Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, the average daily traffic flow reached 188,367 vehicles, an increase of 27% compared to the last corresponding period and average daily toll revenue grew by 22% to RMB6.88 million. Gross toll revenue increased by 22% to RMB1,266 million.

The increase in traffic and toll revenue growth largely benefited from the consistent rapid economic growth in the Guangdong Province. As GDP of the province has been increasing, so has the flow of passengers and goods in the region. Increasing profitability of corporations and wealth of consumers have contributed to the continuous growth of vehicle ownership. The Group believes that these factors will help GS Superhighway maintain stable growth in traffic and toll revenue.

Several initiatives were completed to improve traffic flow and capacity along GS Superhighway. The historically busy 2.7 km section between Hezhou and Huangtian interchanges of the GS Superhighway was widened from dual three-lane to dual four-lane. Further, additional toll lanes were added at historically busy toll stations, such as Huangtian, Nantou and Baoan. The joint venture company will continue to closely monitor traffic conditions on the GS Superhighway and carry out effective measures to maintain the smooth traffic flow. The toll collection system along the northbound section of the expressway has been upgraded from a magnetic card toll collection system to a contactless Integrated Circuit (IC) card system by the third quarter of 2003. The southbound upgrade will be completed in 2004.

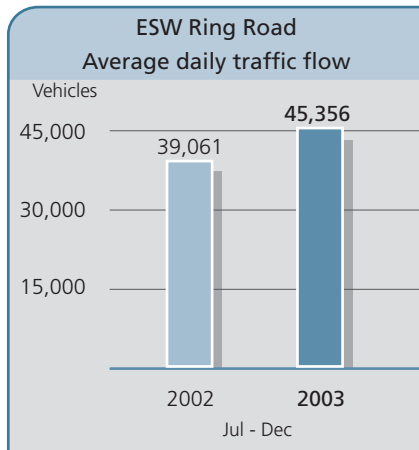
Providing a safe, efficient and comfortable driving environment remains a top priority to the Group. The repaving of around 100 km of the main alignment of the GS Superhighway was completed by the joint venture company in December 2003.



ESW Ring Road

ESW Ring Road is a 38 km closed system expressway with dual 3 lanes. It is a by-pass route running along the eastern, southern and western fringes of Guangzhou city and forms the main sections of the Guangzhou Ring Road. During the past six months, it continued to record steady growth, both in traffic and toll revenue. The average daily traffic grew by 16% to 45,356 vehicles and average daily toll revenue increased 23% to RMB0.72 million. Gross toll revenue grew by 23% to RMB133 million.

Two major expressways, Phase 1 West and Guangzhou Southern Expressway, which are connected directly with the ESW Ring Road, are expected to be completed in 2004. The opening of these expressways are expected to feed additional traffic to the ESW Ring Road. The Group believes the ESW Ring Road is well positioned to benefit from the rapid economic development in Guangzhou.



Phase 1 West

This 14.7 km closed system expressway with dual 3 lanes is currently under construction and is expected to be completed in May 2004, which is two months ahead of schedule.

Upon completion, Phase 1 West will be the only expressway to link up Guangzhou and Shunde. It fulfills the strategic need for a high speed link between these two major cities and shorten the travel time from approximately 40 minutes on existing local roads to approximately 10-15 minutes.

Financial Review

Liquidity and Financial Resources

During the period, the Group repaid HK\$488 million of bank loans and HK\$543 million of amount due to holding company. As a result of the stable cash flow generated from its assets, the Group improved its total debt to total assets ratio, from 51% as at 30th June, 2003 to 36% as at 31st December, 2003. The Group also improved its net debt to total equity ratio from 104% as at 30th June, 2003 to 50% as at 31st December, 2003. Net cash inflow was HK\$472 million for the six months ended 31st December, 2003.

The Group's gearing structure is set out as follows:

HK\$million	At 30.6.2003	At 31.12.2003
Equity	5,846 ⁽¹⁾	9,083
Total Debt	6,380 ⁽¹⁾	5,291
Total Net Debt ⁽²⁾	6,079	4,517
Total Assets	12,487	14,662
Total debt/Total assets	51%	36%
Net debt/Total equity	104%	50%

Notes:

⁽¹⁾ Assumes HK\$4,500 million of the amount due to holding company is capitalised as equity at 30th June, 2003;

⁽²⁾ Net debt is defined as total debt less bank balances and cash.

The maturity profile of the Group's bank borrowings at 31st December, 2003 as compared with that at 30th June, 2003 is shown as follows:

The Group (Unconsolidated)	Within 1 year	Over 1 year
At 31st December, 2003	—	—
At 30th June, 2003	43%	57%

The joint venture companies (Proportionately shared)	Within 1 year	1-5 years	Over 5 years
At 31st December, 2003	3%	28%	69%
At 30th June, 2003	6%	44%	50%

The joint venture companies' borrowings are denominated in US dollars and Renminbi and carry floating interest rates.

The Group's average interest rate for bank loans for the six months ended 31st December, 2003 was 2.63% (30th June, 2003: 2.71%).

Interest Rate Exposure and Exchange Rate Exposure

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. Business operations of the Group and its jointly controlled entities are mainly denominated in these three currencies.

Contingent Liabilities

During the period, there was no material change in contingent liabilities of the Group.

Prospects

Western Delta Route - Phases 2 & 3

Phases 2 and 3 of the Western Delta Route involve approximately 43 km of expressway running from the southern end of Phase 1 West in Shunde to Zhongshan. The Group retains the concession rights for the development of Phases 2 and 3 of the Western Delta Route. Development of Phases 2 and 3 are being actively pursued. When these two phases together with Phase 1 West are completed, the Western Delta Route will directly link Guangzhou, Nanhai, Shunde, Zhongshan and Zhuhai. Given that Guangzhou, Shunde and Zhongshan are among the cities with highest car ownership in the Guangdong province, together with the opportunity brought by the potentially new connection between the western Pearl River Delta region and Hong Kong through the Hong Kong-Zhuhai-Macau Bridge, the Group believes that the Western Delta Route will become an arterial expressway in the western Pearl River Delta.

Hong Kong-Zhuhai-Macau Bridge

The proposed Y-shaped 29km bridge project provides a vehicular linkage between Hong Kong, Macau and Zhuhai. In the past 6 months, a joint working committee comprising of representatives from the governments of Guangdong, Hong Kong and Macau was established. This committee will be responsible for putting forward and coordinating the advance works for the project. The Group believes that it is well positioned to play a vital role in this project should it proceed.

Disclosure of Additional Information in accordance with the Listing Rules

Acquisitions and Disposals of Subsidiaries and Associates

During the period, there was no material acquisition or disposal of the Company's subsidiaries and associates.

Employees

As of 31st December, 2003, the Company had a total of 40 full-time staff, with 35 in Hong Kong and 5 in the PRC. The Company provides competitive remuneration packages to employees and employees are rewarded on individual performance basis. Various benefits include medical and personal accident insurance coverage are also provided to employees. Training programs are conducted on an ongoing basis.

Audit Committee

An audit committee, established on 16th July, 2003, comprises three Independent Non-executive Directors, namely Mr. Lee Yick NAM, the chairman of the committee, Mr. Philip Tsung Cheng FEI and Mr. Kojiro NAKAHARA.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed on auditing, internal control and financial report matters, including the review of the unaudited interim financial statements.

Code of Best Practice

None of the directors of the Company are aware of any information that would reasonably indicate that the Company is not or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Interests

As at 31st December, 2003, the interests and short positions of the directors and chief executives of the Company and their associates 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")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was deemed or taken to have under such provisions of the SFO), or which were required to be

entered in the register maintained by the Company pursuant to section 352 of the SFO or which required notification pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Beneficial interests and short positions in shares (the "Shares") and underlying shares of equity derivatives of the Company⁽ⁱ⁾

Directors	Shares	Equity derivatives				Total interests	Total interests as approximate percentage of shares in issue
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests		
Gordon Ying Sheung WU	—	6,249,403	2,191,000 ⁽ⁱⁱⁱ⁾	11,124,999 ^(iv)	3,068,000 ^(v)	22,633,402	0.79
Eddie Ping Chang HO	—	1,936,000	24,600	205,000	—	2,165,600	0.08
Thomas Jefferson WU	—	2,435,000	—	82,000	—	2,517,000	0.09
Leo Kwok Kee LEUNG	—	1,000	—	—	—	1,000	0
Kojiro NAKAHARA	—	1,067	—	—	—	1,067	0

Notes:

- (i) All interests in the Shares and underlying shares of equity derivatives of the Company were long positions. All interests in underlying shares of equity derivatives of the Company were interests in warrants of the Company which 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. None of the directors or chief executives held any short position in the Shares and underlying shares of equity derivatives of the Company.
- (ii) These equity derivatives 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.
- (iii) The family interests of 2,191,000 warrants represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.
- (iv) The corporate interests of 11,124,999 warrants represented the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure included 6,119,000 warrants held by Lady Ivy Sau Ping KWOK WU through corporations.
- (v) The other interests of 3,068,000 warrants represented the interests held by Sir Gordon Ying Sheung WU jointly with Lady Ivy Sau Ping KWOK WU.

(b) Beneficial interests and short positions in the shares and underlying shares of equity derivatives of the associated corporations⁽ⁱ⁾

Directors	Name of Company	Shares				Equity derivatives ⁽ⁱⁱⁱ⁾	Total interests	Total interests as approximate percentage of shares in issue
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests			
Gordon Ying Sheung WU	Hopewell Holdings Limited	63,494,032	21,910,000 ^(iv)	111,250,000 ^(iv)	30,680,000	8,000,000	235,334,032	26.82
Eddie Ping Chang HO	Hopewell Holdings Limited	19,360,000	246,000	2,050,000	—	6,000,000	27,656,000	3.15
Thomas Jefferson WU	Hopewell Holdings Limited	24,450,000	—	820,000	—	2,400,000	27,670,000	3.15
Alan Chi Hung CHAN	Hopewell Holdings Limited	—	—	—	—	1,000,000	1,000,000	0.11
Cheng Hui JIA	Hopewell Holdings Limited	—	—	—	—	800,000	800,000	0.09
Leo Kwok Kee LEUNG	Hopewell Holdings Limited	10,000	—	—	—	—	10,000	0
Lee Yick NAM	Hopewell Holdings Limited	90,000	—	—	—	—	90,000	0.01
Kojiro NAKAHARA	Hopewell Holdings Limited	10,671	—	—	—	—	10,671	0

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives in associated corporations were long positions. None of the directors or chief executives held any short position in shares and underlying shares of equity derivatives of associated corporations.
- (ii) These 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.

- (iii) *The interests in underlying shares of equity derivatives represented interest of options granted to directors under the share option scheme of Hopewell Holdings Limited adopted on 11th October, 1994 (which has been terminated, but all outstanding options granted prior to the termination remain in full force and effect) to subscribe for shares of Hopewell Holdings Limited, further details of which are set out below:*

Name of Director	Date of grant	Number of share options outstanding as at 31/12/2003	Exercise price per share HK\$	Period during which share options are exercisable
Gordon Ying Sheung WU	9/9/2003	8,000,000	9.55	9/3/2004 - 9/9/2008
Eddie Ping Chang HO	9/9/2003	6,000,000	9.55	9/3/2004 - 9/9/2008
Thomas Jefferson WU	3/4/2002	2,400,000	6.15	3/10/2002 - 2/10/2005
Alan Chi Hung CHAN	2/4/2002	1,000,000	6.15	2/10/2002 - 1/10/2005
Cheng Hui JIA	2/4/2002	800,000	6.15	2/10/2002 - 1/10/2005

- (iv) *The family interests of 21,910,000 shares represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.*
- (v) *The corporate interests of 111,250,000 shares represented the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure included 61,190,000 shares held by Lady Ivy Sau Ping KWOK WU through corporations.*
- (vi) *Certain directors held shares in certain subsidiaries of Hopewell Holdings Limited as nominees for their holding companies.*

(c) Beneficial interests in debentures of associated corporations

As at 31st December, 2003, the beneficial interests of the directors or chief executives of any beneficial interest in debentures of associated corporations were as follows:

- (i) The 9⁷/₈% Notes due 2004 for a face amount of US\$4,850,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by companies in which Mr. Thomas Jefferson WU was entitled to the exercise of one-third or more of the voting power at their general meetings.
- (ii) The 9⁷/₈% Notes due 2004 for a face amount of US\$400,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by Mr. Lee Yick NAM.

Share Options

The share option scheme of the Company was approved by the written resolutions of the sole shareholder of the Company passed on 16th July, 2003 and was approved by shareholders of Hopewell Holdings Limited at its extraordinary general meeting held on 16th July, 2003 (the "Option Scheme").

As at 31st December, 2003, no options was granted under the Option Scheme.

Substantial Shareholders

As at 31st December, 2003, to the best knowledge of the directors, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Capacity	No. of shares (corporate interests)	Approximate percentage of shares to total issued share capital
Anber Investments Limited	Beneficial owner	2,160,000,000	74.998
Delta Roads Limited (i)	Interests of Controlled Corporation	2,160,000,000	74.998
Dover Hills Investments Limited (ii)	Interests of Controlled Corporation	2,160,000,000	74.998
Supreme Choice Investments Limited (iii)	Interests of Controlled Corporation	2,160,000,000	74.998
Hopewell Holdings Limited (iv)	Interests of Controlled Corporation	2,160,000,000	74.998

Notes:

- (i) *This represented the same block of Shares shown against the name of Anber Investments Limited above. Since Anber Investments Limited was wholly-owned by Delta Roads Limited, Delta Roads Limited was deemed to be interested in the same number of Shares held by Anber Investments Limited under Part XV of the SFO.*
- (ii) *As Delta Roads Limited was wholly-owned by Dover Hills Investments Limited, Dover Hills Investments Limited was deemed to be interested in the same number of Shares which Delta Roads Limited was deemed to be interested under Part XV of the SFO.*
- (iii) *As Dover Hills Investments Limited was wholly-owned by Supreme Choice Investments Limited, Supreme Choice Investments Limited was deemed to be interested in the same number of Shares which Dover Hills Investments Limited was deemed to be interested under Part XV of the SFO.*
- (iv) *As Supreme Choice Investments Limited was wholly-owned by Hopewell Holdings Limited, Hopewell Holdings Limited was deemed to be interested in the same number of Shares which Supreme Choice Investments Limited was deemed to be interested under Part XV of the SFO.*

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the issued share capital of the Company and recorded in the register of substantial shareholders maintained under Section 336 of the SFO as at 31st December, 2003.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 6th August, 2003 (the date of listing on the Stock Exchange) to 31st December, 2003.

By order of the Board

Sir Gordon Ying Sheung WU KCMG, FICE
Chairman

Hong Kong, 26th February, 2004

Condensed Consolidated Income Statement

For the six months ended 31st December, 2003

HK\$'000	NOTES	Six months ended	
		31.12.2002 (unaudited)	31.12.2003 (unaudited)
Turnover	3	507,062	617,222
Other operating income	4	34,936	42,951
Toll operation expenses		(52,681)	(49,824)
Depreciation and amortisation		(93,302)	(112,746)
General and administrative expenses		(31,047)	(47,023)
Profit from operations	5	364,968	450,580
Finance costs	6	(106,871)	(76,053)
Profit before taxation		258,097	374,527
Income tax expense	7	(9,947)	(6,149)
Profit before minority interests		248,150	368,378
Minority interests		(5,745)	(7,708)
Profit for the period		242,405	360,670
Dividend	8	—	288,006
		HK Cents	HK Cents
Earnings per share	9		
Basic		11.22	13.17
Diluted		N/A	13.16
Dividend per share		—	10.00

Condensed Consolidated Balance Sheet

At 31st December, 2003

HK\$'000	NOTES	30.6.2003 (audited)	31.12.2003 (unaudited)
ASSETS			
Non-current Assets			
Property and equipment	10	9,000,553	9,005,715
Additional investment cost in jointly controlled entities		1,900,258	1,880,644
Toll road project under development		151,237	149,804
Loans to jointly controlled entities		1,014,416	1,020,087
Investments in securities - long-term portion	11	—	553,683
		12,066,464	12,609,933
Current Assets			
Inventories		1,928	2,066
Accounts receivable, deposits and prepayments		71,406	55,606
Interest receivable from a joint venture partner		45,813	55,642
Investments in securities - current portion	11	—	1,164,217
Bank balances and cash		301,293	774,800
		420,440	2,052,331
Total Assets		12,486,904	14,662,264
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	12	312	288,006
Share premium and reserves		1,346,169	8,795,452
		1,346,481	9,083,458
Minority Interests		29,714	29,438
Non-current Liabilities			
Bank and other loans - due after one year	13	4,662,467	4,432,364
Loans from joint venture partners		719,502	710,308
Amount due to holding company	14	5,043,452	—
Deferred tax liabilities	15	116,405	122,485
		10,541,826	5,265,157
Current Liabilities			
Accounts payable and deposits received		53,425	66,761
Bank and other loans - due within one year	13	426,406	148,812
Interest payable to a jointly controlled entity		55,599	66,274
Other interests payable - due within one year		33,403	2,364
Tax liabilities		50	—
		568,883	284,211
Total Equity and Liabilities		12,486,904	14,662,264

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st December, 2003

HK\$'000	Share capital	Share premium	PRC statutory reserves	Translation reserve	Dividend reserve	Retained profits	Total
At 1st July, 2002	312	—	22,884	22,580	—	775,324	821,100
Exchange differences on operations outside Hong Kong (not recognised in the income statement)	—	—	—	(7,820)	—	—	(7,820)
Profit for the period	—	—	—	—	—	242,405	242,405
Appropriation of retained profits	—	—	33,580	—	—	(33,580)	—
At 31st December, 2002	312	—	56,464	14,760	—	984,149	1,055,685
At 1st July, 2003	312	—	56,464	14,882	—	1,274,823	1,346,481
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	6	241	—	—	—	—	247
Share issue expenses	—	(126,385)	—	—	—	—	(126,385)
Capitalisation of amount due to holding company	215,688	4,284,312	—	—	—	—	4,500,000
Exchange differences on operations outside Hong Kong (not recognised in the income statement)	—	—	—	(7,155)	—	—	(7,155)
Profit for the period	—	—	—	—	—	360,670	360,670
Appropriation of retained profits	—	—	20,011	—	—	(20,011)	—
Amounts set aside for dividend payments for year ending 30th June, 2004	—	—	—	—	288,006	(288,006)	—
At 31st December, 2003	288,006	7,095,768	76,475	7,727	288,006	1,327,476	9,083,458

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December, 2003

HK\$'000	Six months ended	
	31.12.2002 (unaudited)	31.12.2003 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	539,823	596,667
INVESTING ACTIVITIES		
Investments in securities	—	(1,746,291)
Repayment of toll road project under development	270,966	—
Proceeds on disposal of property and equipment	164	—
Purchases of property and equipment	(51,990)	(128,896)
Repayment of loans to jointly controlled entities	12,977	3,719
Interest received from held-to-maturity debt securities	—	7,189
NET CASH FROM (USED IN) INVESTING ACTIVITIES	232,117	(1,864,279)
FINANCING ACTIVITIES		
Proceeds on issue of shares	—	3,009,847
Share issue expenses	—	(126,385)
Interest paid	(94,416)	(96,385)
Repayment to minority shareholder	—	(7,984)
Repayment of bank and other loans	(142,393)	(487,694)
Repayment of loans from joint venture partners	(17,999)	(8,247)
Repayment to holding company	(73,175)	(543,452)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(327,983)	1,739,700
NET INCREASE IN CASH AND CASH EQUIVALENTS	443,957	472,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	97,819	301,293
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,766	1,419
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	544,542	774,800

Notes to the Condensed Financial Statements

For the six months ended 31st December, 2003

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 in the Cayman Islands under the Companies Law of the Cayman Islands. The Company is an investment holding company. 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").

Pursuant to a group reorganisation (the "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 (the "Listing") 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, on capitalisation of the sum of HK\$4,500 million due to the immediate holding company of the Company (the "Capitalisation Issue").

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 Group resulting from the Corporate Reorganisation is regarded as a continuing entity. Accordingly, the consolidated balance sheet as at 30th June, 2003 has been prepared using the principles of merger accounting.

The condensed consolidated income statement for the six months ended 31st December, 2002 and 2003 have been prepared on a combined basis as if the current structure had been in existence during that period.

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

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with International Accounting Standard 34 "Interim Financial Reporting".

Notes to the Condensed Financial Statements *(Continued)*

For the six months ended 31st December, 2003

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention. The assets, liabilities and results of operations of jointly controlled entities are accounted for by proportionate consolidation. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2003. During the period, the Group adopted the following new accounting policy:

Investments in securities

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

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.

3. TURNOVER AND SEGMENT INFORMATION

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

The Group only has one business segment, namely the development, operation and management of toll roads in 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.

4. OTHER OPERATING INCOME

HK\$'000	Six months ended	
	31.12.2002	31.12.2003
Included in other operating income are interest income from:		
A jointly controlled entity	14,047	9,314
A joint venture partner	9,311	8,622
Bank deposits	2,048	4,060
Held to-maturity debt securities (after netting off of amortisation of premium on acquisition of held-to-maturity debt securities of approximately HK\$17,843,000 (six months ended 31st December, 2002: nil))	—	8,615

Notes to the Condensed Financial Statements *(Continued)*

For the six months ended 31st December, 2003

5. PROFIT FROM OPERATIONS

HK\$'000	Six months ended	
	31.12.2002	31.12.2003
Profit from operations has been arrived at after charging:		
Amortisation of additional investment cost in jointly controlled entities	15,775	19,614
Depreciation of:		
Toll roads	75,171	91,440
Other property and equipment	2,356	1,692

6. FINANCE COSTS

HK\$'000	Six months ended	
	31.12.2002	31.12.2003
Interest on:		
Bank loans	92,335	63,017
Loan from a jointly controlled entity	11,380	10,468
Loan from a joint venture partner	149	149
Other loans	2,474	2,328
	106,338	75,962
Other financial expenses	533	91
	106,871	76,053

7. INCOME TAX EXPENSE

HK\$'000	Six months ended	
	31.12.2002	31.12.2003
PRC income tax	247	119
Overprovision of income tax in prior year	—	(50)
Deferred taxation (note 15)	9,700	6,080
	9,947	6,149

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong.

Notes to the Condensed Financial Statements *(Continued)*

For the six months ended 31st December, 2003

7. INCOME TAX EXPENSE *(Continued)*

Pursuant to relevant laws and regulations in the PRC, the Group's jointly controlled entities are entitled to certain exemption and relief from PRC income tax. The normal tax rate applicable to the taxable income of a foreign investment enterprise in the PRC is 33%, comprising the standard national tax rate of 30% and the local tax rate of 3%.

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

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"), another jointly controlled entity of the Group, in respect of its income arising from the operation of toll road is 15%. Pursuant to an approval from the Guangzhou Municipal Government, Ring Road JV is entitled to a five year exemption from foreign enterprise income tax for income arising from the operation of toll road commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. For the following five years, it will enjoy a 50% reduction in the rate of foreign enterprise income tax payable. In respect of income arising from toll operations and related service facilities, Ring Road JV is also exempted from paying a local income tax (currently set at a rate of 3%) for ten years commencing from the first profit-making year. Because Ring Road JV has not yet recorded profits for PRC tax purposes, the exemptions from paying foreign enterprise income tax and local income tax have so far had no effect on Ring Road JV.

8. DIVIDEND

The directors have determined that an interim dividend in respect of the financial year ending 30th June, 2004 of HK10 cents per share (year ended 30th June, 2003: nil) totalling approximately HK\$288,006,000 (year ended 30th June, 2003: nil) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 18th March, 2004.

Notes to the Condensed Financial Statements *(Continued)*

For the six months ended 31st December, 2003

9. EARNINGS PER SHARE

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

HK\$'000	Six months ended	
	31.12.2002	31.12.2003
Earnings for the purpose of basic and diluted earnings per share	242,405	360,670
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,160,000,000	2,739,163,315
Effect of dilutive potential ordinary shares	—	745,680
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,160,000,000	2,739,908,995

The calculation of the basic earnings per share for the six months ended 31st December, 2002 is based on the profit for the period of approximately HK\$242,405,000 and on 2,160,000,000 shares on the basis that shares of the Company issued upon the Corporate Reorganisation and the Capitalisation Issue are deemed to be outstanding throughout that period.

10. PROPERTY AND EQUIPMENT

During the period, the Group paid its proportionate share of approximately HK\$101,810,000 for the repavement of asphalt for GS Superhighway, the expressway running between Shenzhen and Guangzhou.

11. INVESTMENTS IN SECURITIES

The balance as at 31st December, 2003 represents the overseas listed held-to-maturity debt securities acquired by the Group during the period.

Notes to the Condensed Financial Statements *(Continued)*

For the six months ended 31st December, 2003

12. SHARE CAPITAL

Details of the share capital of the Company are as follows:

	Number of shares	Amount
		HK\$'000
Authorised		
On incorporation, par value of HK\$1 each	380,000	380
Subdivision of shares of par value from HK\$1 to HK\$0.1	3,420,000	—
Increased during the period	9,996,200,000	999,620
At 30th June, 2003 and 31st December, 2003	10,000,000,000	1,000,000
Issued and fully paid:		
Allotted and issued on incorporation, par value of HK\$1 each	1	—
Subdivision of shares of par value from HK\$1 to HK\$0.1	9	—
Allotted and issued on 30th June, 2003	3,120,240	312
At 30th June, 2003	3,120,250	312
Capitalisation Issue	2,156,879,750	215,688
Issue of shares by way of placing and public offer	720,000,000	72,000
Issue of shares upon exercise of warrants	59,162	6
At 31st December, 2003	2,880,059,162	288,006

The following changes in the share capital of the Company took place during the period from 14th January, 2003 (date of incorporation) to 31st December, 2003:

- (a) The Company was incorporated on 14th January, 2003 with an authorised share capital of HK\$380,000 divided into 380,000 shares of HK\$1 each. At the time of incorporation, one ordinary share of HK\$1 was allotted and issued for cash at par.
- (b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 30th June, 2003:
 - (i) each share of par value of HK\$1 in the unissued and issued share capital of the Company was subdivided into 10 shares of par value of HK\$0.1 each; and
 - (ii) the authorised share capital of the Company was increased from HK\$380,000 to HK\$1,000,000,000, by the creation of an additional 9,996,200,000 new shares of HK\$0.1 each.

Notes to the Condensed Financial Statements *(Continued)*

For the six months ended 31st December, 2003

12. SHARE CAPITAL *(Continued)*

- (c) On 30th June, 2003:
- (i) the Company allotted and issued 3,120,100 shares of HK\$0.1 each, credited as fully paid in consideration of the transfer of the entire issued share capital of Most Top Limited, Yager International Limited and Wilberforce International Limited.
 - (ii) the Company allotted and issued 140 shares of HK\$0.1 each, credited as fully paid at the direction of Guangzhou-Shenzhen Superhighway (Holdings) Ltd. ("GSSH"), a fellow subsidiary of the Company, in consideration of GSSH (i) procuring the allotment and issue of two new ordinary shares in Hopewell China Development (Superhighway) Limited ("HHI GS Superhighway Co") to Kingnice Limited ("Kingnice") and its nominee and the conversion of the ordinary shares in HHI GS Superhighway Co beneficially held by it into deferred non-voting shares, and (ii) transferring its one share in Fan Wai Properties Limited to Kingnice.
- (d) 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.
- (e) 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.
- (f) 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 (the "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 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 6th August, 2003 (the "Subscription Rights").

During the period, the Subscription Rights of HK\$247,297 were exercised by registered holders to convert into 59,162 shares of the Company.

At 31st December, 2003, the Subscription Rights of HK\$365,643,301 were outstanding, exercise of which in full would result in the issue of 87,474,474 shares of the Company of HK\$0.1 each.

Notes to the Condensed Financial Statements *(Continued)*

For the six months ended 31st December, 2003

13. BANK AND OTHER LOANS

HK\$'000	30.6.2003	31.12.2003
Secured bank loans	4,993,040	4,485,750
Other loans, unsecured	95,833	95,426
	5,088,873	4,581,176
The borrowings are repayable as follows:		
On demand or within one year	426,406	148,812
In the second year	568,022	195,602
In the third to fifth years inclusive	1,666,227	1,152,259
After five years	2,428,218	3,084,503
	5,088,873	4,581,176
Less: Amounts due for settlement within twelve months (shown under current liabilities)	(426,406)	(148,812)
Amounts due for settlement after twelve months	4,662,467	4,432,364

Analysis of borrowings by currency:

	At 30th June, 2003		
	US\$ HK\$'000	RMB HK\$'000	HK\$ HK\$'000
Bank loans	3,753,034	868,006	372,000
Other loans	—	95,833	—
	3,753,034	963,839	372,000
	At 31st December, 2003		
	US\$ HK\$'000	RMB HK\$'000	HK\$ HK\$'000
Bank loans	3,621,430	864,320	—
Other loans	—	95,426	—
	3,621,430	959,746	—

Notes to the Condensed Financial Statements *(Continued)*

For the six months ended 31st December, 2003

14. AMOUNT DUE TO HOLDING COMPANY

On 23rd July, 2003, the amount due to the immediate holding company to the extent of HK\$4,500 million was capitalised, details of which are mentioned in note 1. The remaining balance was fully settled during the six months ended 31st December, 2003. The amounts were unsecured and interest free.

15. DEFERRED TAX LIABILITIES

The deferred tax liabilities as shown in the condensed consolidated balance sheets 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:

HK\$'000	30.6.2003	31.12.2003
Excess of tax allowances over depreciation	134,605	146,485
Unutilised tax losses	(18,200)	(24,000)
	116,405	122,485

The following are the major deferred tax liabilities (assets) recognised by the Group and movement thereon during the current and prior reporting periods:

HK\$'000	Accelerated tax depreciation	Tax losses	Total
At 1st July, 2002	106,600	(14,700)	91,900
Charge (credit) for the period	10,000	(300)	9,700
At 31st December, 2002	116,600	(15,000)	101,600
Charge (credit) for the period	18,005	(3,200)	14,805
At 30th June, 2003	134,605	(18,200)	116,405
Charge (credit) for the period	11,880	(5,800)	6,080
At 31st December, 2003	146,485	(24,000)	122,485

16. CHARGES ON ASSETS

The toll roads and other assets of the jointly controlled entities have been pledged to secure the bank loan facilities granted to the jointly controlled entities of the Group. As at 31st December, 2003, the carrying value of the toll roads which have been pledged are approximately HK\$8,986,556,000 (30th June, 2003: HK\$8,989,702,000).

17. CAPITAL COMMITMENTS

At the balance sheet date, commitments in respect of the construction of the Phase 1 West, a major transportation route in western Pearl River Delta which had been contracted for amounted to approximately HK\$318 million (30th June, 2003: HK\$361 million).



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