



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



2006-2007 Interim Report 中期報告





## HIGHLIGHTS

- Net profit attributable to equity holders of the Company rose 21% to HK\$682 million
- Interim dividend of HK15 cents per share
- Aggregate average daily toll revenue for the period of the three expressways rose 14% to RMB11,532,000 and aggregate average daily traffic rose 17% to 429,000 vehicles
- Net cash on hand of about HK\$3.3 billion as at 31st December, 2006

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# GROUP RESULTS

The Board of Directors of Hopewell Highway Infrastructure Limited (the “Company”) is pleased to announce the unaudited interim results of the Group for the six months ended 31st December, 2006.

For the six months ended 31st December, 2006, the toll revenue of the Group increased by 17% to HK\$1,004 million from HK\$860 million of the last corresponding period, 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 about 88% or HK\$877 million, whereas the Guangzhou East-South-West Ring Road (“ESW Ring Road”) and the Phase I of the Western Delta Route (“Phase I West”) contributed about 9% or HK\$92 million and 3% or HK\$35 million respectively. The toll revenue increased by HK\$144 million, of which GS Superhighway shared HK\$135 million, ESW Ring Road and Phase I West shared HK\$2 million and HK\$7 million respectively.

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

	Six months ended 31st December	
	2005 HK\$ million	2006 HK\$ million
GS Superhighway	742	877
ESW Ring Road	90	92
Phase I West	28	35
	860	1,004

Total expenses for the six months ended 31st December, 2006, including toll operation expenses, depreciation and amortisation charges and general and administrative expenses increased 13% from HK\$275 million of the last corresponding period to HK\$311 million, mainly due to an increase in depreciation and amortisation charges. Under the Group’s accounting policies, depreciation and amortisation charges of toll expressways and additional investment costs are calculated based on the ratio of actual traffic volume in the period compared to the total expected traffic volume over the remaining concession period of the respective jointly controlled entity, depreciation and amortisation charges increased HK\$35 million in the current interim period as a result of the strong growth of traffic flow.

The Group's earnings before interest and tax increased by 18% to HK\$911 million from HK\$769 million of the last corresponding period, mainly due to the robust growth in toll revenue and benefits from Renminbi appreciation under the Renminbi exchange rate regime since late July 2005, including an exchange gain on retranslation of the United States dollar bank loans borrowed by a PRC jointly controlled entity.

The net profit attributable to equity holders of the Company, benefiting from an exchange gain of HK\$86 million arising from Renminbi appreciation, grew 21% to HK\$682 million from HK\$564 million despite a 20% increase in finance costs to HK\$161 million from HK\$134 million. The increase in finance costs was due to interest rate hikes of the United States dollar bank loans.

## INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK15.00 cents per ordinary share in respect of the financial year ending 30th June, 2007 (30th June, 2006: HK11.50 cents). The dividend will be paid on or about 23rd March, 2007 to those shareholders as registered at the close of business on 22nd March, 2007.

## CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Monday, 19th March, 2007 to Thursday, 22nd March, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 16th March, 2007.

# BUSINESS REVIEW

Along with the continuous and vigorous development of the Guangdong Province and the Pearl River Delta region (the “PRD”), the three expressway projects invested by the Group, namely, GS Superhighway, ESW Ring Road and Phase I West, have recorded continued steady growth in both traffic flow and toll revenue during the period under review. For the six months ended 31st December, 2006, aggregate average daily traffic and aggregate average daily toll revenue of the three expressways recorded an increase of 17% and 14% to 429,000 vehicles and RMB11,532,000 respectively. Total toll revenue for the six months reached RMB2,122 million. Benefiting from Shenzhen’s traffic restrictions on heavy trucks on certain of its local roads since mid-September 2006, GS Superhighway’s average daily toll revenue has exceeded RMB10 million in the fourth quarter of 2006.

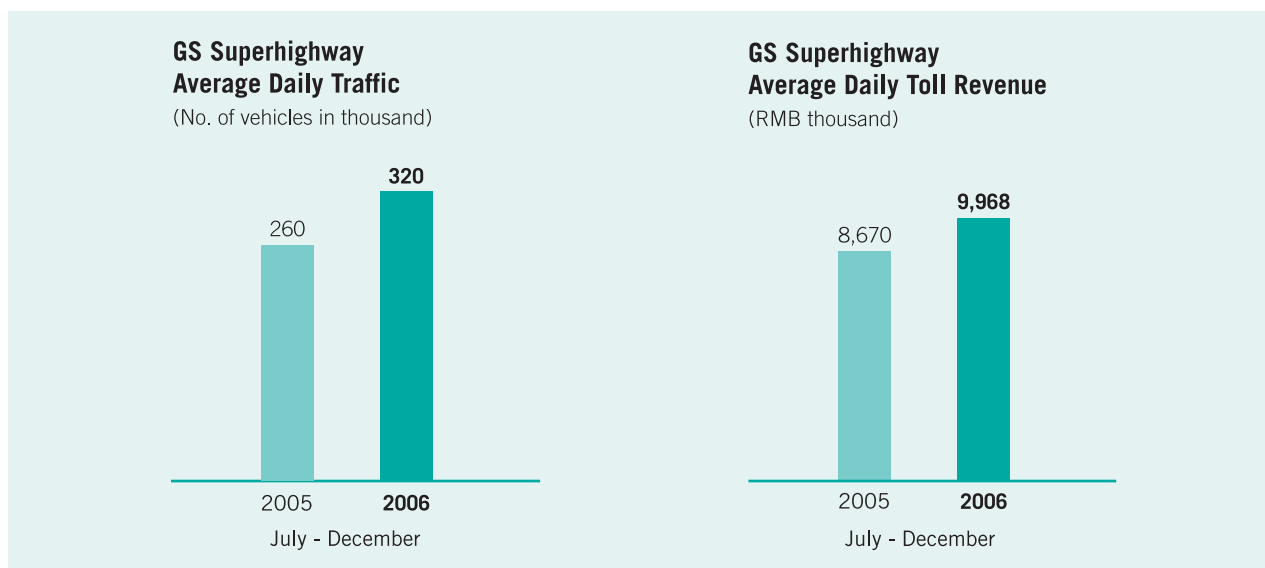
Construction of Phase II of the Western Delta Route, connecting to Phase I West, has been commenced since December 2005 and the works are in progress. Preparation works for Phase III of the Western Delta Route are underway.

In view of the continuing expansion and improvement in the PRD expressway network, substantial increase in car ownership, rapid growth in passenger and freight transportation and logistics industry, all lead to tremendous traffic demand in the region. The Group expects that GS Superhighway, ESW Ring Road and Phase I West will become increasingly important components of the PRD expressway network, and that they will continue to enjoy stable growth in traffic flow and toll revenue. At the same time, they provide the Group with opportunities to explore and develop new projects.

Benefiting from the continuing Renminbi appreciation, the GS Superhighway joint venture company has recorded exchange gains on retranslation of the United States dollar bank loans. As at 31st December, 2006, the Group has HK\$3.3 billion cash on hand and unutilised syndicated bank loan facility of HK\$3.6 billion. This strong financial position has secured the Group’s funding capabilities to capture future project investment.

## Guangzhou-Shenzhen Superhighway (“GS Superhighway”)

GS Superhighway is the main artery of PRD’s expressway network, connecting with the four major cities, Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, GS Superhighway has exhibited strong growth. Average daily traffic rose 23% to 320,000 vehicles and average daily toll revenue grew 15% to RMB9,968,000. Total toll revenue in the six months amounted to RMB1,834 million, demonstrating that GS Superhighway still has capacity for increasing traffic throughput.



Shenzhen has implemented a traffic restriction policy on heavy trucks on certain of its local roads since mid-September 2006, requiring heavy trucks entering into the Huanggang Border Crossing to travel directly to GS Superhighway through the Huanggang toll station. The joint venture company offered concession tariff to these heavy trucks which therefore brought a positive return to GS Superhighway.

The joint venture company has persisted in upgrading its service standard and improving its ancillary facilities. During the period under review, it has completed the construction of Nanping toll station connecting Nanping Expressway in Shenzhen and the expansion of Huanggang toll station in collaboration with Shenzhen's traffic restriction on heavy trucks. It has also deployed resources to enhance the safety facilities, strengthen the patrol and rescue services aiming to improve emergency handling efficiency and minimize traffic congestion caused by traffic accidents. As a result, the number of accidents, casualty, as well as the number of traffic congestion caused had been significantly reduced. Currently, the joint venture company is actively expanding the Futian, Fuyong and Xinqiao toll stations and increasing the number of traffic CCTV along the superhighway. Upon completion of the aforesaid works, the traffic throughput of GS Superhighway will be further enhanced.

After friendly negotiation, the joint venture company has agreed in principle, subject to approval of the Guangdong Provincial Government, to take up RMB725.14 million, a part of the additional investment of the Group incurred during the construction of the GS Superhighway. The above will not have a material impact on the results of the operation of the Group.

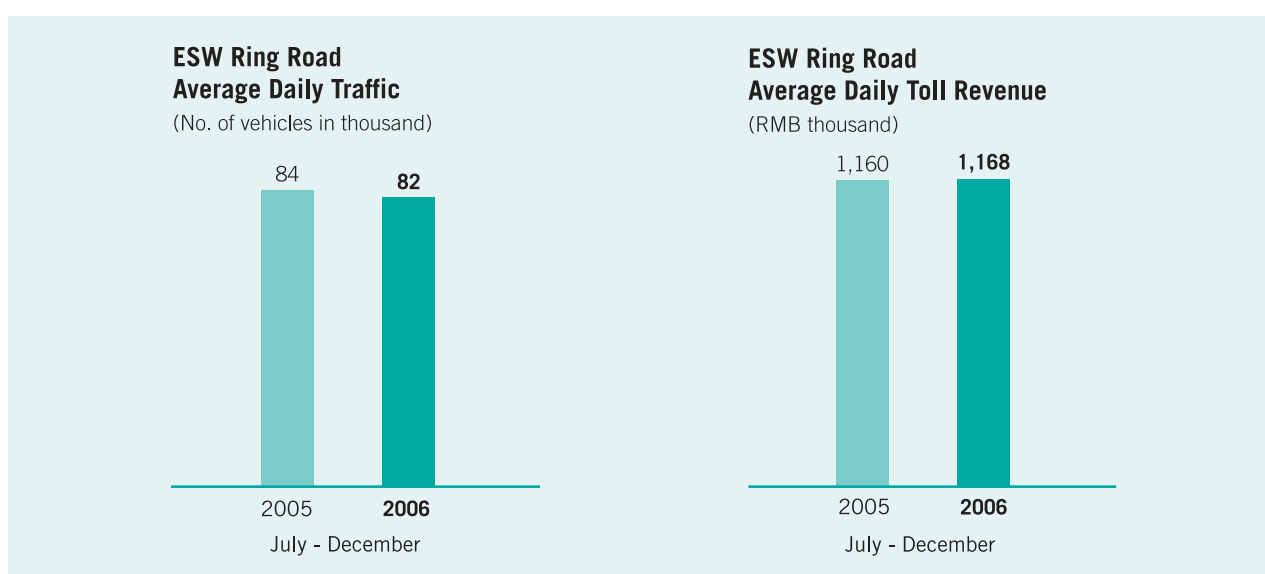
Due to difficulties in changing the original land use to utilise land parcels already acquired within the interchanges and along the GS Superhighway for property development and that the operation of space under elevated sections for shops has primarily ceased for some time due to various constraints, the above two projects will not be further proceeded with by the joint venture company.

With the continuous economic development of Guangdong Province and the expansion of the PRD expressway network, together with the rapid increase in car ownership, the Group believes that the traffic flow and toll revenue of GS Superhighway will maintain growth. To cater for the increasing traffic demand, the joint venture company has been actively studying the feasibility of widening GS Superhighway to 10 lanes.



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

ESW Ring Road connects to GS Superhighway, Guangzhou Nansha Port Expressway, Phase I West, Guangfo Expressway and major feeder roads of Guangzhou. It plays a vital role in relieving the pressure of traffic congestion in the inner city of Guangzhou and in providing a speedy route passing through Guangzhou en route to other destinations. ESW Ring Road is a major trunk route in the expressway network in the PRD and Guangzhou.

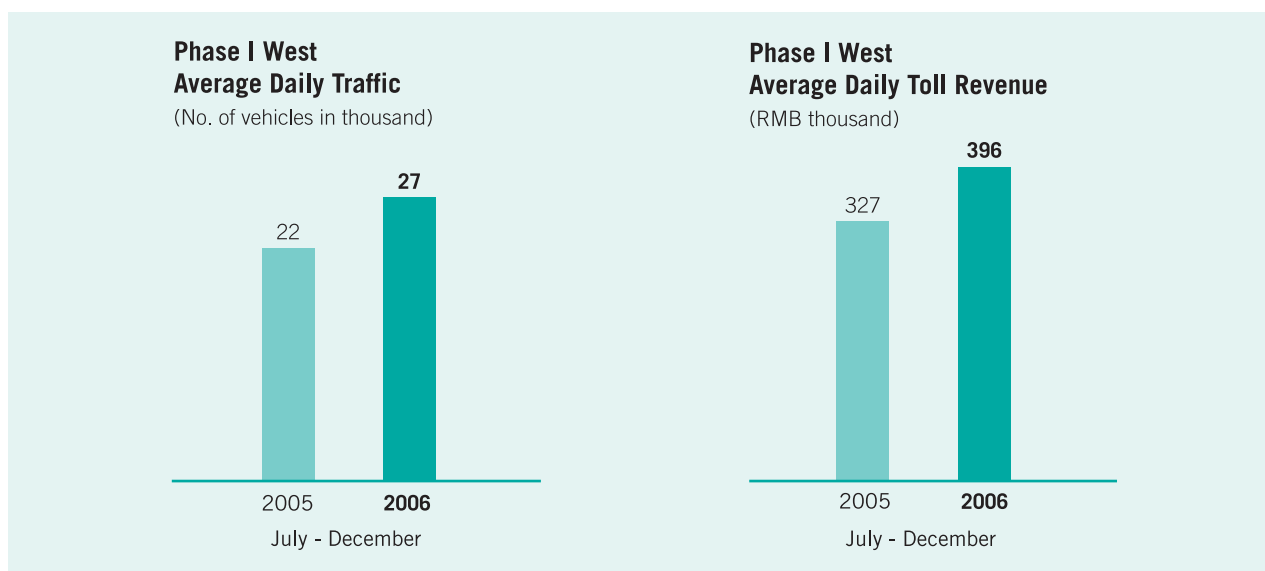


To meet increasing traffic needs, Guangzhou has been developing its city and road facilities quickly, by constructing and expanding the road network. During the period under review, a local toll free road, running parallel to a portion of the south-east section of ESW Ring Road, was opened. This has resulted in mild traffic diversion from ESW Ring Road, and thus a slower traffic growth of the project. The Group believes that the traffic and toll revenue of this project may experience a slower growth in the coming year until this mild diversion has been fully digested. Average daily toll revenue rose 1% to RMB1,168,000 and average daily traffic dropped 2% to 82,000 vehicles. Total toll revenue in the six months was RMB215 million.

## Phase I of the Western Delta Route (“Phase I West”)

Phase I West connects to ESW Ring Road in the north and National Highway 105 and Bigui Road in the south. It is currently the only expressway directly linking Guangzhou and Shunde.

Phase I West continued to achieve robust growth in both traffic flow and toll revenue. During the period under review, average daily traffic was 27,000 vehicles, an increase of 21% over the last corresponding period. Average daily toll revenue was RMB396,000, an increase of 21% over the last corresponding period. Total toll revenue in the six months reached RMB73 million.



With the continuing rapid economic development and the increasing inter-city business activities between Guangzhou and Shunde, the Group believes that Phase I West will continue to grow in traffic flow and toll revenue.

## **Phases II and III of the Western Delta Route (“Phase II West” and “Phase III West”)**

Phase II West is a 46 km expressway with 6 lanes in dual directions, connecting to Phase I West in the north, and National Highway 105 and the proposed western expressway of Zhongshan in the south. The project, in which the Group owns a 50% interest, has already commenced construction in December 2005. According to the latest estimation, total investment (excluding interest during construction) is approximately RMB4,900 million. The joint venture agreement has been approved by the relevant authorities.

Phase III West is a 38 km expressway project to link up Phase II West to Zhongshan and Zhuhai. In September 2005, the Group conditionally amended the agreements with the PRC partner of Phase I West (same partner as Phase II West) to invest, construct and operate Phase III West. Currently, preparation works are underway.

Upon the completion of Phase II West and Phase III West, the Western Delta Route will link up the major cities including Guangzhou, Foshan, Zhongshan and Zhuhai and will become a strategic route on the western bank of the PRD.

## **Hong Kong–Zhuhai–Macau Bridge Project**

According to the latest news released by the Hong Kong Special Administrative Region, the Central Government is highly supportive of the Hong Kong-Zhuhai-Macau Bridge project. The State Council has recently set up a taskforce with a deputy director of the National Development and Reform Commission as its convener to expedite the progress of the Hong Kong-Zhuhai-Macau Bridge project. The taskforce has held its first meeting in January 2007. The Group is confident that it will be in an advantageous position to assume an important role in this project when it proceeds to the tendering stage.

# FINANCIAL REVIEW

## Liquidity and Financial Resources

Resulting from stable cash flow generated from its assets, the Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to the equity holders of the Company) were further improved to 31% (30th June, 2006: 33%) and 15% (30th June, 2006: 18%) respectively. The gearing structure is set out below :

	2006	
	As at 30th June HK\$ million	As at 31st December HK\$ million
Total debt	5,283	<b>5,138</b>
Net debt <i>(Note)</i>	1,875	<b>1,552</b>
Total assets	16,076	<b>16,319</b>
Equity attributable to the equity holders of the Company	10,300	<b>10,619</b>
Total debt/Total assets	33%	<b>31%</b>
Net debt/Equity attributable to the equity holders of the Company	18%	<b>15%</b>

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

As at 31st December, 2006, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,492 million (30th June, 2006: HK\$4,642 million), with the following profile :

- (a) 99.9% (30th June, 2006: 98%) was bank loans and 0.1 % (30th June, 2006: 2%) was other loans; and
- (b) 72% (30th June, 2006: 71%) was denominated in United States dollars and 28% (30th June, 2006: 29%) was denominated in Renminbi.

The net current assets of the Group increased by 6% from HK\$3,065 million as at 30th June, 2006 to HK\$3,246 million as at 31st December, 2006.

In October 2005, the Group successfully completed a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3.6 billion and the facility was undrawn as at 30th June and 31st December, 2006.

As at 31st December, 2006, the Group's available and undrawn facility and bank balances and cash amounted to approximately HK\$6,873 million (30th June, 2006: HK\$6,614 million). Together with stable cash dividend from the Group's jointly controlled entity, the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"), the Group's funding capabilities have been further strengthened for planned and potential investment opportunities given its solid deposits, cash holdings as well as the available undrawn facility on hand.

## Warrants

The warrants of the Company carrying subscription rights in aggregate of HK\$365,890,598 were created 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 of HK\$4.18 per share exercisable during the period from 6th August, 2003 to 5th August, 2006 ("Subscription Rights"). By the date of expiry, the Subscription Rights of HK\$357,499,863 (representing 98% of the aggregate Subscription Rights) were exercised by registered holders to convert into 85,526,283 shares of the Company.

## Debt Maturity Profile

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 31st December, 2006 as compared to that at 30th June, 2006 is shown as follows :

	2006	
	As at 30th June	As at 31st December
Repayable within 1 year	6%	5%
Repayable between 1 to 5 years	22%	24%
Repayable beyond 5 years	72%	71%

Other than the above, the Group has no other bank borrowings both at 31st December and 30th June, 2006. Bank borrowings of the jointly controlled entities carry floating interest rates.

# FINANCIAL REVIEW (continued)

## Interest Rate and Exchange Rate Exposures

There have been no significant changes in the Group's policy in terms of interest rate and exchange rate exposures. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures as Hong Kong dollars are pegged to United States dollars. In addition, the reform of Renminbi exchange rate regime, with an initial appreciation of approximately 2% in July 2005, benefited the Group as a whole as the revenue from business operations of the Group and its jointly controlled entities is mainly denominated in Renminbi.

## Treasury Policies

The Group continues to adopt conservative 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 United States dollars and Hong Kong dollars.

## Charges on Assets

Details of charges on assets are set out in note 16 to the condensed consolidated financial statements.

## Capital Commitments

Details of capital commitments are set out in note 15 to the condensed consolidated financial statements.

## Contingent Liabilities

As at 31st December, 2006, there was no material change in contingent liabilities of the Group since 30th June, 2006.

## Material Acquisition or Disposal

During the six months ended 31st December, 2006, there was no material acquisition or disposal of the Company's subsidiaries or associated companies.

## Review of Interim Results

The unaudited interim results of the Group for the six months ended 31st December, 2006 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December, 2006, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") were as follows :

### (A) the Company <sup>(i)</sup>

Directors	Shares				Underlying shares of equity derivatives <sup>(iii)</sup>	Total interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests <sup>(ii)</sup> (interests of controlled corporation)	Other interests			
Gordon Ying Sheung WU	6,249,402	2,491,000	10,124,999	3,068,000 <sup>(iv)</sup>	—	21,933,401	0.74%
Eddie Ping Chang HO	1,824,046	136,554	205,000	—	—	2,165,600	0.07%
Thomas Jefferson WU	4,803,000	—	82,000	—	—	4,885,000	0.16%
Alan Chi Hung CHAN	80,000	—	—	—	—	80,000	0.00%
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 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.
- (iii) The interests in underlying shares of equity derivatives represented interests in options granted to Directors under the Company's share option scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options".
- (iv) The other interests in 3,068,000 shares represented the interests held jointly by Sir Gordon Ying Sheung WU ("Sir Gordon WU") and Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU").

## OTHER INFORMATION (continued)

### (B) Associated Corporation

Hopewell Holdings Limited (“HHL”)

Directors	HHL shares				Underlying shares of equity derivatives	Total interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests <sup>(i)</sup> (interests of controlled corporation)	Other interests			
Gordon Ying Sheung WU	73,803,032	21,910,000	111,250,000	30,680,000 <sup>(ii)</sup>	—	237,643,032	26.45%
Eddie Ping Chang HO	24,273,462	1,365,538	2,050,000	—	—	27,689,000	3.08%
Thomas Jefferson WU	27,170,000	—	820,000	—	—	27,990,000	3.12%
Alan Chi Hung CHAN	585,000	—	—	—	—	585,000	0.07%
Cheng Hui JIA	241,000	—	—	—	—	241,000	0.03%
Lee Yick NAM	90,000	—	—	—	—	90,000	0.01%
Kojiro NAKAHARA	10,671	—	—	—	—	10,671	0.00%
Barry Chung Tat MOK	—	—	—	—	2,500,000 <sup>(iii)</sup>	2,500,000	0.28%

Notes:

(i) The corporate interests of HHL shares were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.

(ii) The other interests in 30,680,000 HHL shares represented the interest held by Sir Gordon WU jointly with Lady Ivy WU.

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

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

All the above interests in the shares and underlying shares of equity derivatives of associated corporation were long positions.

Save as aforesaid, as at 31st December, 2006, none of the Directors or chief executives had any other interests or short position in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## Share Options

- (a) The share option scheme of the Company was approved by the written resolutions of the then sole shareholder of the Company passed on 16th July, 2003 and approved by shareholders of Hopewell Holdings Limited at an extraordinary general meeting held on 16th July, 2003 (the "Option Scheme"). The Option Scheme will expire on 15th July, 2013.
- (b) Details of the movement of share options under the Option Scheme during the period ended 31st December, 2006 were as follows :

	Date of grant	Exercise price per share HK\$	Number of share options					Outstanding at 31/12/2006	Exercise period	Closing price before date of grant falling within the period HK\$
			Outstanding at 01/07/2006	Granted during the period	Exercised during the period	Cancelled/lapsed during the period				
<b>Director</b>										
Leo Kwok Kee LEUNG	08/09/2004	4.875	2,000,000	—	—	—	2,000,000	08/09/2004 - 07/09/2007	N/A	
<b>Employee</b>										
	08/09/2004	4.875	400,000	—	100,000	—	300,000	08/09/2004 - 07/09/2007	N/A	
<b>Employees</b>										
	17/10/2006	5.858	—	6,200,000	—	—	6,200,000	01/12/2007 - 30/11/2013	5.710	
<b>Total</b>			2,400,000	6,200,000	100,000	—	8,500,000			

The weighted average closing price of the shares on the date immediately before the date on which the options were exercised by the employee during the period was HK\$5.67.

## OTHER INFORMATION (continued)

The options granted on 8th September, 2004 are exercisable from the date of grant while the options granted on 17th October, 2006 are exercisable in the following manner :

<i>Maximum options exercisable</i>	<i>Exercisable period</i>
20% of options granted	from the expiry of 12 months from 1st December, 2006 up to 30th November, 2008
40% of options granted (including those not previously exercised)	from the expiry of 24 months from 1st December, 2006 up to 30th November, 2009
60% of options granted (including those not previously exercised)	from the expiry of 36 months from 1st December, 2006 up to 30th November, 2010
80% of options granted (including those not previously exercised)	from the expiry of 48 months from 1st December, 2006 up to 30th November, 2011
100% of options granted (including those not previously exercised)	from the expiry of 60 months from 1st December, 2006 up to 30th November, 2013

The fair value of the share options granted during the period with the exercise price per share of HK\$5.858 is estimated at approximately HK\$5,814,000 at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$5.700 per share at the grant date, the historical volatility of share price of the Company of 23% which is based on rolling two-year volatility of the Company's share price over last three years, expected life of options of 7 years, expected dividend yield of 4.75%, and the risk-free rate of 3.969% with reference to the rate on the 7-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded option. 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 period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Binomial option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

## Substantial Shareholders

As at 31st December, 2006, 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 :

<b>Name</b>	<b>Capacity</b>	<b>Number of shares (corporate interests)</b>	<b>% of issued share capital</b>
Anber Investments Limited	Beneficial owner	2,160,000,000 <sup>(A)</sup>	72.78%
Delta Roads Limited	Interests of controlled corporation	2,160,000,000 <sup>(A)</sup>	72.78%
Dover Hills Investments Limited	Interests of controlled corporation	2,160,000,000 <sup>(A)</sup>	72.78%
Supreme Choice Investments Limited	Interests of controlled corporation	2,160,000,000 <sup>(A)</sup>	72.78%
Hopewell Holdings Limited	Interests of controlled corporation and Beneficial owner <sup>(B)</sup>	2,160,943,000 <sup>(B)</sup>	72.81%

Notes:

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

(B) 943,000 shares were held as beneficial owner and the remaining 2,160,000,000 shares were held through interests of controlled corporations referred to in Note (A).

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 31st December, 2006.

## Purchase, Sale or Redemption of Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries of securities of the Company during the six months ended 31st December, 2006.

## **OTHER INFORMATION** (continued)

### **Employees and Remuneration Policies**

As at 31st December, 2006, the Group, excluding the joint venture companies, had a total of 38 full-time staff, with 26 in Hong Kong and 12 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 Option Scheme of the Company and discretionary bonuses may be granted to employees based on individual performance and the Group's performance as well. In January 2007, the Company adopted a share award scheme to recognise the contributions by certain employees of the Group, to give incentive thereto for retention purpose and to attract suitable personnel for further development of the Group. To maintain the proficiency and productivity of our staff, training programs are conducted on an ongoing basis throughout the Group. In 2006, we launched a two year Graduate Trainee Program to develop potential young talent and to groom tomorrow's leaders for taking up management positions in the Group.

### **Corporate Governance**

During the period under review, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **Model Code for Securities Transactions**

The Company has adopted the Model Code as its own code for securities transactions by the Company's Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on the specific enquiries made of all Directors, each of the Directors has confirmed that he has complied fully with the Model Code throughout the period under review.

## Disclosure under Chapter 13.18 of the Listing Rules

Pursuant to a loan agreement entered into by a wholly-owned subsidiary of the Company for a facility in the aggregate amount of HK\$3.6 billion with a tenor of 5 years from 13th October, 2005, it will be an event of default if the Company ceases at any time to be a subsidiary of Hopewell Holdings Limited.

On behalf of the Board

**Sir Gordon Ying Sheung WU** GBS, KCMG, FICE

*Chairman*

Hong Kong, 1st March, 2007

# INDEPENDENT INTERIM REVIEW REPORT



## TO THE BOARD OF DIRECTORS OF HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED

合和公路基建有限公司

*(incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 21 to 33.

### DIRECTORS' RESPONSIBILITIES

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

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

### REVIEW WORK PERFORMED

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

### REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st December, 2006.

## Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong  
1st March, 2007

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st December, 2006

	NOTES	Six months ended 31st December,	
		2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Turnover	3	859,865	<b>1,004,325</b>
Other income	4	184,364	<b>217,707</b>
Toll operation expenses		(67,981)	<b>(71,397)</b>
Depreciation and amortisation charges		(153,112)	<b>(187,928)</b>
General and administrative expenses		(53,730)	<b>(51,915)</b>
Finance costs	5	(134,350)	<b>(161,109)</b>
Profit before tax	6	635,056	<b>749,683</b>
Income tax expense	7	(60,723)	<b>(56,126)</b>
Profit for the period		574,333	<b>693,557</b>
Attributable to:			
Equity holders of the Company		563,795	<b>681,747</b>
Minority interests		10,538	<b>11,810</b>
Profit for the period		574,333	<b>693,557</b>
Dividends paid	8	368,310	<b>504,564</b>
		HK Cents	<b>HK Cents</b>
Earnings per share	9		
Basic		19.52	<b>22.99</b>
Diluted		19.40	<b>22.98</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

At 31st December, 2006

		30th June, 2006 (audited) HK\$'000	31st December, 2006 (unaudited) HK\$'000
	NOTES		
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property and equipment		9,380,957	9,459,828
Additional investment cost in jointly controlled entities		1,763,351	1,734,640
Investment in toll expressway project under development		47,157	48,275
Prepaid lease payments		123,901	124,499
Balances with jointly controlled entities		1,166,667	1,179,727
		12,482,033	12,546,969
<b>Current Assets</b>			
Inventories		2,251	2,556
Other receivables, deposits and prepayments		96,421	93,906
Other receivable from an outside joint venture partner		82,455	84,491
Prepaid lease payments		4,591	4,705
Pledged bank balances and deposits	10	357,620	282,197
Bank balances and cash	10	3,050,869	3,303,731
		3,594,207	3,771,586
<b>Total Assets</b>		16,076,240	16,318,555



	NOTES	30th June, 2006 (audited) HK\$'000	31st December, 2006 (unaudited) HK\$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	11	294,962	<b>296,803</b>
Reserves		10,005,217	<b>10,321,741</b>
Equity attributable to equity holders of the Company		10,300,179	<b>10,618,544</b>
Minority interests		35,656	<b>40,393</b>
<b>Total Equity</b>		<b>10,335,835</b>	<b>10,658,937</b>
<b>Non-current Liabilities</b>			
Bank and other loans	12	4,376,578	<b>4,283,822</b>
Balances with outside joint venture partners		640,917	<b>646,375</b>
Deferred tax liabilities	13	193,449	<b>204,294</b>
		5,210,944	<b>5,134,491</b>
<b>Current Liabilities</b>			
Other payables, accruals and deposits received		135,905	<b>150,934</b>
Bank and other loans	12	264,987	<b>207,796</b>
Other payable to a jointly controlled entity		99,618	<b>112,547</b>
Other interest payable		7,984	<b>8,843</b>
Tax liabilities		20,967	<b>45,007</b>
		529,461	<b>525,127</b>
<b>Total Liabilities</b>		<b>5,740,405</b>	<b>5,659,618</b>
<b>Total Equity and Liabilities</b>		<b>16,076,240</b>	<b>16,318,555</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2006

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	PRC statutory reserves HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st July, 2005										
- As original stated	288,838	7,138,075	—	84,989	3,131	368,274	1,651,731	9,535,038	33,109	9,568,147
- Transfer between categories	—	—	—	—	—	(368,274)	368,274	—	—	—
- As restated	288,838	7,138,075	—	84,989	3,131	—	2,020,005	9,535,038	33,109	9,568,147
Exchange gain on translation (recognised directly in equity)	—	—	—	—	53,070	—	—	53,070	—	53,070
Profit for the period	—	—	—	—	—	—	563,795	563,795	10,538	574,333
Total recognised income for the period	—	—	—	—	53,070	—	563,795	616,865	10,538	627,403
Shares issued at a premium on exercise of warrants	38	1,529	—	—	—	—	—	1,567	—	1,567
Transfer between reserves	—	—	—	9,617	—	—	(9,617)	—	—	—
Final dividend paid for year ended 30th June, 2005	—	—	—	—	—	—	(368,310)	(368,310)	—	(368,310)
Dividend paid to a minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	(6,452)	(6,452)
At 31st December, 2005	288,876	7,139,604	—	94,606	56,201	—	2,205,873	9,785,160	37,195	9,822,355
<b>At 1st July, 2006</b>	<b>294,962</b>	<b>7,387,916</b>	<b>—</b>	<b>94,716</b>	<b>89,834</b>	<b>—</b>	<b>2,432,751</b>	<b>10,300,179</b>	<b>35,656</b>	<b>10,335,835</b>
Exchange gain on translation (recognised directly in equity)	—	—	—	—	63,651	—	—	63,651	—	63,651
Profit for the period	—	—	—	—	—	—	681,747	681,747	11,810	693,557
Total recognised income for the period	294,962	7,387,916	—	94,716	153,485	—	3,114,498	11,045,577	47,466	11,093,043
Recognition of equity- settled share- based payments	—	—	516	—	—	—	—	516	—	516
Shares issued at a premium on exercise of warrants	1,831	74,696	—	—	—	—	—	76,527	—	76,527
Shares issued at a premium on exercise of share options	10	478	—	—	—	—	—	488	—	488
Transfer between reserves	—	—	—	11,456	—	—	(11,456)	—	—	—
Final dividend paid for year ended 30th June, 2006	—	—	—	—	—	—	(504,564)	(504,564)	—	(504,564)
Dividend paid to a minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	(7,073)	(7,073)
At 31st December, 2006	296,803	7,463,090	516	106,172	153,485	—	2,598,478	10,618,544	40,393	10,658,937

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December, 2006

	Six months ended 31st December,	
	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Net cash from operating activities	764,893	<b>885,443</b>
Net cash from investing activities:		
Purchase of property and equipment	(25,392)	<b>(48,370)</b>
Redemption and disposal of held-to-maturity debt securities	733,677	—
Interest received	25,825	<b>89,219</b>
Other investing cashflows	28,140	<b>30,967</b>
	762,250	<b>71,816</b>
Net cash used in financing activities:		
Proceeds from issue of shares	1,567	<b>77,015</b>
Interest paid	(117,173)	<b>(143,922)</b>
Repayment of bank and other loans	(94,080)	<b>(187,630)</b>
Dividends paid to:		
- equity holders of the Company	(368,310)	<b>(504,564)</b>
- a minority shareholder of a subsidiary	(6,452)	<b>(7,073)</b>
Other financing cashflows	(50,781)	<b>(23,255)</b>
	(635,229)	<b>(789,429)</b>
Net increase in cash and cash equivalents	891,914	<b>167,830</b>
Cash and cash equivalents at beginning of the period	2,035,520	<b>3,384,189</b>
Effect of foreign exchange rate changes	7,141	<b>9,009</b>
Cash and cash equivalents at end of the period	2,934,575	<b>3,561,028</b>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	2,485,227	<b>3,303,731</b>
Pledged bank balances and deposits	449,348	<b>257,297</b>
Cash and cash equivalents at end of the period	2,934,575	<b>3,561,028</b>

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2006

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board (“IASB”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at initial recognition, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new IFRSs”) issued by the IASB that are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006, 1st March, 2006, 1st May, 2006 or 1st June, 2006. The adoption of the new IFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

### Equity-settled share-based payment transactions

#### *Share options granted to employees after 1st July, 2005*

The fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

In prior periods, the Group had taken advantage of the transitional provisions set out in IFRS 2 “Share-based Payment” issued by IASB. In relation to share options granted on or before 7th November, 2002 and share options granted after 7th November, 2002 and vested before 1st July, 2005 (effective date of IFRS 2), the Group had not recognised and expensed those share options.

### Financial guarantee

In the current period, the Group has applied IAS 39 and IFRS 4 (Amendments) “Financial Guarantee Contracts” which is effective for accounting periods beginning on or after 1st January, 2006. A financial guarantee contract is defined by IAS 39 “Financial Instruments: Recognition and Measurement” as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

Prior to 1st July, 2006, financial guarantee contracts were not accounted for in accordance with IFRS 4 “Insurance Contracts” and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 “Revenue”.

The Company has entered into an agreement to provide a financial guarantee granted in favour of a bank in the People’s Republic of China (the “PRC”) for a loan granted to 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”). The Group had recognised such loan in the condensed consolidated balance sheet. Accordingly, the directors determine that there is no material impact on the results and the financial position of the Group upon application of IAS 39 and IFRS 4 (Amendments).

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendment or interpretations, except for IFRIC 12 “Service Concession Arrangements”, will have no material impact on the results and the financial position of the Group to be presented. IFRIC 12 sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements. The Group is not yet in a position to quantify the effect of IFRIC 12 on the results and the financial position of the Group to be presented.

IAS 1 (Amendment)	Capital disclosures <sup>1</sup>
IFRS 7	Financial instruments: disclosures <sup>1</sup>
IFRS 8	Operating segments <sup>2</sup>
IFRIC 10	Interim financial reporting and impairment <sup>3</sup>
IFRIC 11	IFRS 2 - Group and treasury share transactions <sup>4</sup>
IFRIC 12	Service concession arrangements <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1st November, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2008.

## 3. TURNOVER AND SEGMENT INFORMATION

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

The Group has only one business segment, namely the development, operation and management of toll expressways in the PRC through its jointly controlled entities established in the PRC.

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

## 4. OTHER INCOME

	Six months ended 31st December,	
	2005 HK\$'000	2006 HK\$'000
Imputed interest income on interest-free loan made to a jointly controlled entity	11,622	10,951
Interest income from:		
A jointly controlled entity	14,328	17,836
Bank deposits	43,530	89,219
Held-to-maturity debt securities, net of premium amortised of nil (six months ended 31st December, 2005: HK\$3,914,000)	3,822	—
Net exchange gain	96,747	85,765
Rental income	2,563	1,503
Management fee income from jointly controlled entities	2,200	1,756
Others	9,552	10,677
	184,364	217,707

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2006

## 5. FINANCE COSTS

	Six months ended 31st December,	
	2005 HK\$'000	2006 HK\$'000
Interest on:		
Bank loans	116,055	141,735
Loan made by an outside joint venture partner	149	150
Other loans wholly repayable within five years	2,477	131
Imputed interest on:		
Interest-free loan made by outside joint venture partners	12,694	12,663
Other interest-free loan	134	147
	131,509	154,826
Other financial expenses (Note)	2,841	6,283
	134,350	161,109

Note: The amount represents the fees and related charges in connection with the revolving credit and term loan facilities in the aggregate amount of HK\$3,600,000,000 offered to the Group by a syndicate of banks which is available for the period of 5 years commencing from 13th October, 2005. At 30th June, 2006 and 31st December, 2006, the Group did not utilise any part of such facilities.

## 6. PROFIT BEFORE TAX

	Six months ended 31st December,	
	2005 HK\$'000	2006 HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of:		
Additional investment cost in jointly controlled entities	25,130	28,711
Prepaid lease payments	2,245	2,435
Depreciation of:		
Toll expressways	121,696	148,869
Other property and equipment	4,041	7,913
Loss/(gain) on disposal of property and equipment	11,921	(126)

## 7. INCOME TAX EXPENSE

	Six months ended 31st December,	
	2005 HK\$'000	2006 HK\$'000
The tax charge comprises:		
PRC income tax	43,812	50,145
Deferred taxation (note 13)	16,911	5,981
	60,723	56,126

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\$49,773,000 (six months ended 31st December, 2005: HK\$43,720,000) which is calculated at 7.5% (six months ended 31st December, 2005: 7.5%) of the estimated assessable profit for the period after 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 and receivable from the Group's jointly controlled entities amounting to approximately HK\$372,000 (six months ended 31st December, 2005: HK\$92,000) which is calculated at the rates prevailing in the PRC.

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

## 7. INCOME TAX EXPENSE (continued)

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

Pursuant to an approval from the Guangdong Provincial Tax Bureau, the rate of foreign enterprise income tax payable by GS Superhighway JV in respect of its income arising from the operation of toll expressways and related service facilities (excluding hotels and entertainment facilities) is 15% and 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 PRC accounting standards and tax regulations. The first year for which GS Superhighway JV recorded profits for the PRC tax purposes was the year ended 31st December, 2000 and the 5-year exemption from foreign enterprise income tax expired in December, 2004. For the next 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, GS Superhighway JV is also exempt from paying a local income tax (currently set at a rate of 3%) in respect of income arising from the operation of the toll expressways and related service facilities for 10 years commencing from the first profit-making year.

Pursuant to an approval from the Guangzhou branch of the State Tax Bureau, the rate of foreign enterprise income tax payable by Ring Road JV, another jointly controlled entity of the Group, in respect of its income arising from the operation of the toll expressways is 15%. Pursuant to an approval from the Guangzhou Municipal Government, 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 PRC accounting standards and tax regulations. For the next 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 expressways 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 10 years commencing from the first profit-making year. Because Ring Road JV has not yet commenced its first profit-making year 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.

廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV"), another jointly controlled entity of the Group, commenced its operations in April, 2004. West Route JV is entitled to a 2-year exemption from foreign enterprise income tax for income commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. For the next 3 years, it will enjoy a 50% reduction in the rate of foreign enterprise income tax payable. West Rout JV is now in the process of applying for certain additional exemption and relief from the relevant tax authorities. No provision for PRC income tax for West Route JV has been made as it has just commenced its first profit-making year in the year ended 31st December, 2006 for PRC tax purposes.

## 8. DIVIDENDS

A final dividend of HK17.00 cents per share (year ended 30th June, 2005: HK12.75 cents) for the year ended 30th June, 2006 was paid to shareholders in October, 2006.

The directors have declared that an interim dividend in respect of the year ending 30th June, 2007 of HK15.00 cents (year ended 30th June, 2006: HK11.50 cents) per share totalling approximately HK\$445,249,000 (year ended 30th June, 2006: HK\$332,267,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 22nd March, 2007.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 31st December,	
	2005	2006
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	563,795	<b>681,747</b>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,888,568,233	<b>2,965,201,942</b>
Effect of dilutive potential ordinary shares:		
Warrants	17,194,198	<b>942,189</b>
Share options	192,453	<b>425,068</b>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,905,954,884	<b>2,966,569,199</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2006

## 10. PLEDGED BANK BALANCES AND DEPOSITS, BANK BALANCES AND CASH

	30th June, 2006 HK\$'000	31st December, 2006 HK\$'000
Pledged bank balances and deposits of jointly controlled entities	357,620	<b>282,197</b>
Bank balances and cash:		
The Group	3,013,899	<b>3,272,728</b>
Jointly controlled entities	36,970	<b>31,003</b>
	3,050,869	<b>3,303,731</b>
	3,408,489	<b>3,585,928</b>

## 11. SHARE CAPITAL

	Number of shares	Nominal amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
<b>At 30th June, 2006 and 31st December, 2006</b>	<b>10,000,000,000</b>	<b>1,000,000</b>
Issued and fully paid:		
At 1st July, 2006	2,949,618,286	294,962
Issue of shares upon exercise of warrants	18,307,997	1,831
Issue of shares upon exercise of share options	100,000	10
<b>At 31st December, 2006</b>	<b>2,968,026,283</b>	<b>296,803</b>

### Warrants

Pursuant to the written resolutions of the then sole shareholder of the Company passed on 16th July, 2003, the instrument constituting the warrants and the creation of the warrants of the Company (the "Warrants") were approved. The Warrants carry subscription rights in aggregate of HK\$365,890,598 were created and issued in registered form on 5th August, 2003 which conferred the right to registered holders to subscribe for 87,533,636 ordinary shares of the Company at an initial subscription price per share of HK\$4.18 (subject to adjustment) exercisable during a period of three years commencing 6th August, 2003 (the "Subscription Rights").

During the period and up to the expiry of the Warrants on 5th August, 2006, the Subscription Rights of HK\$76,527,427 were exercised by registered holders to convert into 18,307,997 ordinary shares of the Company.

### Share option scheme

A share option scheme (the "Option Scheme") was adopted by the Company pursuant to the written resolutions of the then sole shareholder of the Company passed on 16th July, 2003 and approved by the shareholders of Hopewell Holdings Limited, the ultimate holding company of the Company, at an extraordinary general meeting held on 16th July, 2003. The Option Scheme shall be valid and effective for a period of 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) any chief executives, or substantial shareholders of the Company; (v) any associates of director, chief executives, or substantial shareholders of the Company; and (vi) any employees of substantial shareholder of the Company or for such other purposes as the Board of Directors may approve from time to time.



## 11. SHARE CAPITAL (continued)

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

During the period, options to subscribe for 100,000 ordinary shares of the Company at the subscription price of HK\$4.875 per share were exercised. The closing price of the Company's shares immediately before the date on which the options were exercised was HK\$5.67 per share.

On 17th October, 2006, options to subscribe for 6,200,000 ordinary shares of the Company at the subscription price of HK\$5.858 per share were granted to certain employees of the Company. The details of the options granted are as follows:

Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Balance of outstanding options at 31st December, 2006	Vesting period	Exercise period
1,240,000	—	—	1,240,000	1st December, 2006 to 30th November, 2007	1st December, 2007 to 30th November, 2013
1,240,000	—	—	1,240,000	1st December, 2006 to 30th November, 2008	1st December, 2008 to 30th November, 2013
1,240,000	—	—	1,240,000	1st December, 2006 to 30th November, 2009	1st December, 2009 to 30th November, 2013
1,240,000	—	—	1,240,000	1st December, 2006 to 30th November, 2010	1st December, 2010 to 30th November, 2013
1,240,000	—	—	1,240,000	1st December, 2006 to 30th November, 2011	1st December, 2011 to 30th November, 2013
6,200,000	—	—	6,200,000		

The closing price of the Company's shares immediately before the date of grant of the options granted on 17th October, 2006 was HK\$5.71 per share.

The Group recognised total expenses of approximately HK\$516,000 for the six months ended 31st December, 2006 (six months ended 31st December, 2005: nil) in relation to share options granted by the Company.

## 12. BANK AND OTHER LOANS

The bank and other loans proportionately shared by the Group are analysed as follows:

	30th June, 2006 HK\$'000	31st December, 2006 HK\$'000
Bank loans, secured	4,555,315	4,487,069
Other loans, unsecured	86,250	4,549
	4,641,565	4,491,618
The borrowings are repayable as follows:		
On demand or within one year	264,987	207,796
In the second year	209,841	222,238
In the third to fifth years inclusive	817,009	882,023
After five years	3,349,728	3,179,561
	4,641,565	4,491,618
Less: Amounts due for settlement within one year (shown under current liabilities)	(264,987)	(207,796)
Amounts due for settlement after one year	4,376,578	4,283,822

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2006

## 12. BANK AND OTHER LOANS (continued)

Analysis of the borrowings by currency:

	At 30th June, 2006		
	US\$ loans HK\$'000	RMB loans HK\$'000	Total HK\$'000
Bank loans	3,293,659	1,261,656	4,555,315
Other loans	—	86,250	86,250
	3,293,659	1,347,906	4,641,565

	At 31st December, 2006		
	US\$ loans HK\$'000	RMB loans HK\$'000	Total HK\$'000
Bank loans	3,239,081	1,247,988	4,487,069
Other loans	—	4,549	4,549
	3,239,081	1,252,537	4,491,618

## 13. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st July, 2005	206,890	(40,000)	166,890
Charge for the period	10,911	6,000	16,911
At 31st December, 2005	217,801	(34,000)	183,801
Charge for the period	9,648	—	9,648
At 30th June, 2006	227,449	(34,000)	193,449
Exchange adjustments	5,706	(842)	4,864
Charge for the period	4,950	1,031	5,981
<b>At 31st December, 2006</b>	<b>238,105</b>	<b>(33,811)</b>	<b>204,294</b>

## 14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31st December, 2006 amounted to approximately HK\$15,793,428,000 (30th June, 2006: HK\$15,546,779,000). The Group's net current assets at 31st December, 2006 amounted to approximately HK\$3,246,459,000 (30th June, 2006: HK\$3,064,746,000).

## 15. CAPITAL COMMITMENTS

At 31st December, 2006, the Group had agreed, subject to the approval of relevant authorities, to make capital contributions to West Route JV for development of the Phases II and III of the Western Delta Route totalling approximately HK\$1,422,288,000 (30th June, 2006: HK\$1,388,000,000).

In addition, at 31st December, 2006, GS Superhighway JV and Ring Road JV had outstanding commitments in respect of the acquisition of property and equipment contracted but not provided for amounting to approximately HK\$11,866,000 (30th June, 2006: HK\$19,000,000).

## 16. PLEDGE OF ASSETS

At 31st December, 2006, certain assets of the jointly controlled entities of the Group were pledged to banks to secure general banking facilities granted to the jointly controlled entities. The carrying amounts of these assets are analysed as follows:

	30th June, 2006 HK\$'000	<b>31st December, 2006 HK\$'000</b>
Toll expressways	6,942,133	<b>6,947,927</b>
Prepaid lease payments	83,520	<b>83,983</b>
Bank balances and deposits	357,620	<b>282,197</b>
Other assets	176,779	<b>208,629</b>
	7,560,052	<b>7,522,736</b>

At 30th June, 2006 and 31st December, 2006, the toll collection right of GS Superhighway JV was pledged to banks to secure general banking facilities granted to the jointly controlled entity. In addition, 90% (30th June, 2006: 90%) and 65% (30th June, 2006: 65%) of the toll collection rights of Ring Road JV and West Route JV respectively were pledged to banks to secure general banking facilities granted to the respective jointly controlled entities.

## 17. RELATED PARTY TRANSACTIONS

Amounts due by and from related parties are disclosed in the condensed consolidated balance sheet.

During the six months ended 31st December, 2006, the Group paid rental, air-conditioning charge and management fee to a fellow subsidiary amounting to approximately HK\$753,000 (six months ended 31st December, 2005: HK\$462,000).

The Group's jointly controlled entities had the following significant transactions with their joint venture partners other than the Group during the six months ended 31st December, 2006:

Relationship	Nature of transaction	Six months ended 31st December,	
		2005 HK\$'000	2006 HK\$'000
Outside joint venture partner of GS Superhighway JV	Interest payable	298	<b>305</b>
	Reimbursement of operating expenses	3,300	<b>1,867</b>
	Dividend paid and payable	329,896	<b>843,497</b>
Outside PRC joint venture partner of Ring Road JV	Management fee paid and payable	2,000	<b>2,000</b>
Outside foreign joint venture partner of Ring Road JV	Management fee paid and payable	1,000	<b>1,000</b>
	Reimbursement of interest expenses	19,898	<b>17,043</b>

At 31st December, 2006, the Company and the holding company of the outside foreign joint venture partner of Ring Road JV had separately given guarantees to a PRC bank for bank loan facilities of RMB720,500,000 (30th June, 2006: RMB735,500,000) and RMB586,330,000 (30th June, 2006: RMB617,430,000) respectively granted to Ring Road JV.

## 18. EVENTS AFTER THE BALANCE SHEET DATE

On 25th January, 2007, the Company announced the adoption of an employees' share award scheme (the "Scheme"). On the same date, a total of 1,940,000 ordinary shares of the Company were awarded to certain directors and an employee of the Group with the vesting dates between 25th January, 2007 and 25th January, 2009 subject to fulfilment of certain terms and conditions under the Scheme. The Group is in the process of making an assessment of the potential impact of the shares awarded but is not yet in a position to determine the impact of these shares awarded on the results of operations and financial position of the Group.

Details of the Scheme are set out in the announcement of the Company dated 25th January, 2007.

# CORPORATE INFORMATION AND KEY DATES

## Board of Directors

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

*Chairman*

Mr. Eddie Ping Chang HO

*Vice Chairman*

Mr. Thomas Jefferson WU

*Managing Director*

Mr. Alan Chi Hung CHAN

*Deputy Managing Director*

Ir. Leo Kwok Kee LEUNG

Mr. Lijia HUANG

Mr. Cheng Hui JIA

Mr. Philip Tsung Cheng FEI<sup>#</sup>

Mr. Lee Yick NAM<sup>#</sup>

Mr. Kojiro NAKAHARA<sup>#</sup>

Dr. Gordon YEN<sup>#</sup>

Mr. Barry Chung Tat MOK

<sup>#</sup> *Independent Non-Executive Directors*

## Audit Committee

Mr. Lee Yick NAM *Chairman*

Mr. Kojiro NAKAHARA

Mr. Philip Tsung Cheng FEI

## Remuneration Committee

Mr. Eddie Ping Chang HO *Chairman*

Mr. Lee Yick NAM

Dr. Gordon YEN

## Company Secretary

Mr. Peter Yip Wah LEE

## Registered Office

P.O. Box 309GT

Ugland House, South Church Street

George Town, Grand Cayman

Cayman Islands

## Principal Place of Business

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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

## Key Dates

Interim results announcement

Closure of Register

Interim dividend payable

(HK15 cents per ordinary share)

## Principal Bankers +

Bank of China

Bank of China (Hong Kong) Limited

Bank of Communications Co., Limited

Bank of East Asia, Limited

The Bank of Tokyo-Mitsubishi UFJ, Limited

BNP Paribas

Calyon

China Construction Bank Corporation

Chong Hing Bank Limited

Citibank, N.A.

Industrial and Commercial Bank of China (Asia) Limited

Mizuho Corporate Bank, Limited

Nanyang Commercial Bank Limited

Shanghai Commercial Bank Limited

Shenzhen Development Bank

Sumitomo Mitsui Banking Corporation

Tai Fung Bank Limited

Wing Lung Bank Limited

+ *names arranged in alphabetical order*

## Cayman Islands Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited

P.O. Box 513, Strathvale House

North Church Street, George Town

Grand Cayman, Cayman Islands KY1-1106

## Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

Tel : (852) 2862 8555 Fax : (852) 2529 6087

## Listing Information

The Stock Exchange of Hong Kong Limited

Ordinary Shares (Stock Code : 737)

## 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

Investor Relations Manager

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## Web Page

[www.hopewellhighway.com](http://www.hopewellhighway.com)

1st March, 2007

19th March, 2007 to 22nd March, 2007

(both days inclusive)

23rd March, 2007

(as at 1st March, 2007)



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