



Hopewell Highway Infrastructure Limited

合和公路基建有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 737)

FINAL RESULTS FOR THE YEAR ENDED 30TH JUNE, 2006

CHAIRMAN'S STATEMENT

I am pleased to report that Hopewell Highway Infrastructure Limited continued to deliver strong and steady performance for the year ended 30th June, 2006, with net profit rising to HK\$1,128 million, a 25% increase over the last financial year's HK\$899 million. Basic earnings per share increased to HK38.85 cents, a 25% rise over the last year's HK31.18 cents per share.

The satisfactory results were attributable to the continued robust economic growth in the Pearl River Delta ("PRD") region which resulted in a 22% growth in the aggregate average daily traffic flow of the Group's three expressways, the Guangzhou-Shenzhen Superhighway ("GS Superhighway"), the Guangzhou East-South-West Ring Road ("ESW Ring Road") and the Phase I of the Western Delta Route ("Phase I West"), and also a 10% increase in the total toll revenue as compared to that of the last financial year.

The Board of Directors has recommended a final dividend of HK17 cents per share. Together with the interim dividend of HK11.5 cents per share, the dividend for the full year will be HK28.5 cents per share, a 24% increase as compared to HK23 cents for the last financial year. Subject to approval of the shareholders at the forthcoming annual general meeting to be held on 19th October, 2006, the proposed final dividend will be paid on or about 20th October, 2006 to shareholders as registered at the close of business on 19th October, 2006.

The Register of Members of the Company will be closed from Monday, 16th October, 2006 to Thursday, 19th October, 2006, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 13th October, 2006.

Financial Status

The Group's financial position has been sound and solid during the financial year ended 30th June, 2006. Due to the continuing strong growth in traffic flow and toll revenue on the three expressways, the Group's core earnings, defined as net profit excluding interest income from shareholder's loan and income from debt securities investments, increased to HK\$1,114 million, up by 30% over the last year's HK\$855 million.

<u>Financial year</u>	<u>2005</u>	<u>2006</u>	<u>Growth rate</u>
GS Superhighway			
Average Daily Traffic (No. of vehicles '000)	229	270	18%
Average Daily Revenue (RMB '000)	8,134	8,800	8%
ESW Ring Road			
Average Daily Traffic (No. of vehicles '000)	63	84	34%
Average Daily Revenue (RMB '000)	975	1,150	18%
Phase I West			
Average Daily Traffic (No. of vehicles '000)	18	23	28%
Average Daily Revenue (RMB '000)	273	340	24%

In addition, the Group also benefited from the appreciation of the Renminbi given that over 71% of the loans of the expressways joint venture companies are in US Dollar and our toll revenues are in Renminbi. As a result, the Group recorded an exchange gain of HK\$146 million during the year.

The Group's balance sheet remained very strong. Net current assets reached HK\$3,065 million as at 30th June, 2006, a 23% increase over the HK\$2,497 million as at the last financial year end. Benefiting from the strong cash flow generated by its assets, net gearing (total debt less bank balances and cash, pledged bank deposits and debt securities investments to total equity) for the financial year 2006 reduced to 18%, as compared to last financial year's 27%. Operating cashflow increased to HK\$1,461 million, a 13% rise over last year. Moreover, the Company signed a HK\$3.6 billion five-year syndicated loan facility agreement with 15 international and local banks in October 2005. As at the balance sheet date, the Group has cash on hand of HK\$3,408 million. Such a favourable financial position will definitely strengthen the Group's capabilities in investing in new projects.

Business Review and Outlook

Guangdong Province attained a rapid and steady economic growth during the Tenth 5-Year Plan Period with an annualized GDP growth rate up to 13%. Being the essential gateway to other provinces in China, the PRD region has particularly benefited from the implementation of the Closer Economic Partnership Arrangements and the establishment of the Pan-Pearl River Delta Economic Zone. Prosperous economic activities and strong growth of new car registrations have stimulated both passenger and cargo flow, which in turn generates enormous travelling demand. The strategic importance of the Group's three major expressways in the PRD core expressway network becomes more prominent. With the sustained economic development in the Guangdong Province and the gradual improvement in the PRD expressway networks, coupled with the rapid increase in automobile ownership, it is expected that the traffic and toll revenue of these three expressways will continue to grow steadily.

During the year, despite increase in finance costs due to raises of interest rates for US Dollar and RMB loans; and for the first time, PRC income tax of 7.5% was payable full year on profits of the GS Superhighway joint venture company as the five-year full tax exemption period for the project has expired in December 2004, the Group was still able to achieve a satisfactory performance of 25% increase in net profit over that of the last financial year.

The Group continued to improve quality, service and safety of its expressways with focus on upgrading the service standards and improving ancillary traffic facilities. For the GS Superhighway, installation of additional ancillary facilities was completed. Manpower and equipment have been increased in road patrol, rescue and traffic control to enhance traffic safety and improve the efficiency and effectiveness in handling traffic accidents. Expansion of several busy toll stations to facilitate increase in throughput capacity is under planning. To cater for further increase in traffic volume, the Group will continue its study on the feasibility of widening the GS Superhighway from its current total 6 lanes to 10 lanes and is actively pursuing the project with the relevant authorities.

Backed by the sound economy of Guangzhou, the ESW Ring Road exhibited remarkable growth in traffic flow and toll revenue during the year under review. Along with the steady economic growth of Guangzhou and the successive completion of the neighbouring expressway network, the ESW Ring Road will continue to be one of the key elements in the Guangzhou expressway network.

Phase I West, which has started operation on 30th April, 2004 and attained profitability in its first year of operation, continued to achieve profitability in its second year of operation, a respectable performance for a new road. Currently, the Phase I West is the only expressway directly linking Guangzhou city and the Shunde district of Foshan city. Benefiting from the rapid economic growth of these two regions, the Phase I West continued to achieve robust growth in both traffic flow and toll revenue during the year under review.

The construction of Phase II of the Western Delta Route (“Phase II West”), which connects to the Phase I West, commenced in December 2005, marking a further step towards the Group’s goal to build a comprehensive expressway network in the PRD region. Various works are now in progress and it is currently planned to open to traffic and start receiving tolls in financial year 2008/09.

The preparation works for Phase III of the Western Delta Route (“Phase III West”) are also well under way with the preliminary agreement on the terms of investment, construction and operation of the Phase III West signed with the PRC partner (same partner as Phase I West and Phase II West) in September 2005.

Upon completion of the Phase II West and the Phase III West, the Western Delta Route will become a strategic expressway directly linking up major cities including Guangzhou, Foshan, Zhongshan and Zhuhai along the western bank of the PRD region. As such, the development in the western flank of Guangdong Province will be accelerated. With the continuing growth in economy and car ownership in the PRD region as well as the strong cash flow generated from the expressways, I am confident that the Group is well positioned to grow in tandem with the PRD region.

As was reported in the media, Hong Kong and Guangdong have attained important breakthrough on the progress of the Hong Kong-Zhuhai-Macau Bridge project recently in the Ninth Plenary Session on Hong Kong-Guangdong Cooperation. The Group is confident that we will be in an advantageous position to assume an important role in this project when it proceeds to the tendering stage.

Warrants

The warrants of the Company 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. By the date of expiry, aggregate subscription rights of HK\$357,499,863 have been exercised by registered holders and a total of 85,526,283 shares of the Company were issued.

Appreciation

Finally, I would like to express my gratitude to my fellow directors, senior management team, and all staff for their dedication, hard work and contributions during the past year. I would also like to thank all our shareholders, financiers and business partners for their continuous support and confidence in the Group which have contributed towards the success of the Group last year.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 30th August, 2006

FINANCIAL REVIEW

Group Results

For the financial year ended 30th June, 2006, the toll revenue of the Group increased by 15% to HK\$1,735 million from HK\$1,514 million of the last corresponding year, mainly due to the rise in traffic flow of the Group's expressways in the People's Republic of China (the "PRC"). Of the total toll revenue, the Guangzhou-Shenzhen Superhighway ("GS Superhighway") contributed 87% or HK\$1,501 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 10% or HK\$176 million and 3% or HK\$58 million respectively. The rise in toll revenue was HK\$221 million, of which GS Superhighway shared HK\$174 million, ESW Ring Road and Phase I West shared HK\$33 million and HK\$14 million respectively.

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

	Year ended 30th June	
	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
GS Superhighway	1,327	1,501
ESW Ring Road	143	176
Phase I West	44	58
	<hr/>	<hr/>
	1,514	1,735
	<hr/> <hr/>	<hr/> <hr/>

Total expenses for the financial year ended 30th June, 2006, including toll operation expenses, depreciation and amortisation charges, and general and administrative expenses increased 16% from HK\$451 million of the last corresponding year to HK\$525 million, mainly due to an increase in depreciation and amortisation charges. Since, 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 year compared to the total expected traffic volume over the remaining concession period of the respective jointly controlled entity, depreciation and amortisation charges increased HK\$48 million in the current financial year as a result of the stronger than expected growth of traffic flow.

The Group's earnings before interest and tax increased by 28% to HK\$1,546 million from HK\$1,208 million of the last corresponding year, mainly due to robust growth in toll revenue and benefits from Renminbi appreciation under the new 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\$146 million arising from Renminbi appreciation, grew 25% to HK\$1,128 million from HK\$899 million despite a 26% increase in finance costs to HK\$286 million from HK\$227 million and 143% increase in the PRC income tax to HK\$85 million from HK\$35 million. The increase in finance costs was due to interest rate hikes of the United States dollar bank loans while the PRC income tax, has been charged at 7.5% on the profit of the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") following the expiry of the 5-year tax exemption period in December 2004.

Impact of Revised International Accounting Standard

Revised International Accounting Standard 39 “Financial Instruments: Recognition and Measurement” was adopted for the current financial year. The Group’s consolidated income statement for the last corresponding year and the consolidated balance sheet as at 30th June, 2005 were restated to incorporate necessary adjustments made for certain assets and liabilities on the balance sheet at fair values. The revised accounting standard has no impact on the Group’s cash flow position while its financial impact on the Group for the year is insignificant.

Liquidity and Financial Resources

Resulting from stable cash flow generated from its assets, the Group’s gearing ratio (net debt to equity attributable to the equity holders of the Company) and total debt to total assets ratio were further improved to 18% (2005: 27%) and 33% (2005: 35%) respectively. The gearing structure is set out below:

	As at 30th June	
	2005	2006
	HK\$ million	HK\$ million
Total debt	5,399	5,283
Net debt (<i>Note</i>)	2,602	1,875
Total assets	15,394	16,076
Equity attributable to the equity holders of the Company	9,535	10,300
	<u> </u>	<u> </u>
Total debt/Total assets	35%	33%
Net debt/Equity attributable to the equity holders of the Company	27%	18%
	<u> </u>	<u> </u>

Note: Net debt is defined as total debt less bank balances and cash together with pledged bank deposits and held-to-maturity debt securities.

As at 30th June, 2006, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,642 million (2005: HK\$4,784 million) with the following profile:

- (a) 98 % (2005: 98%) was bank loans and 2% (2005: 2%) was other loans; and
- (b) 71% (2005: 72%) was denominated in United States dollars and 29% (2005: 28%) was denominated in Renminbi.

The net current assets of the Group increased by 23% from HK\$2,497 million as at 30th June, 2005 to HK\$3,065 million as at 30th June, 2006.

Warrants

The warrants of the Company 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 of HK\$4.18 per share exercisable during the period from 6th August, 2003 to 5th August, 2006 (the “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 30th June, 2006 as compared to that at 30th June, 2005 is shown as follows:

	As at 30th June	
	2005	2006
Repayable within 1 year	4%	6%
Repayable between 1 to 5 years	36%	22%
Repayable beyond 5 years	60%	72%

The Group has no unconsolidated bank borrowings both at 30th June, 2006 and 2005. Bank borrowings of the jointly controlled entities carry floating interest rates.

The extension of the bank loan maturities for the Guangzhou E-S-W Ring Road Company Limited (the “Ring Road JV”) and the GS Superhighway JV by approximately an average 3.5 years subsequent to the respective refinancing in June and August 2005 has further improved the Group’s liquidity position by reducing the proportion of bank and other borrowings repayable between 1 to 5 years from 36% to 22%. Furthermore, in October 2005, the Group successfully completed a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3.6 billion. All these have further strengthened the Group’s funding capabilities.

Interest Rate and Exchange Rate Exposures

There have been no significant changes in the Group’s policy in terms of interest rate and exchange rate exposures. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures as 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 given 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

As at 30th June, 2006, certain assets of the jointly controlled entities of the Group were pledged to banks with a total carrying amount of approximately HK\$7,560 million (30th June, 2005: HK\$7,519 million) to secure general banking facilities granted to the jointly controlled entities. The carrying amounts of these assets are analysed as follows:

	As at 30th June	
	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
Toll expressways	6,989	6,942
Prepaid lease payments	84	84
Bank deposits	334	358
Other assets	112	176
	<hr/>	<hr/>
	7,519	7,560
	<hr/> <hr/>	<hr/> <hr/>

The toll collection right of the GS Superhighway JV was pledged to banks to secure its general banking facilities. In addition, 90% and 65% of the toll collection rights of the Ring Road JV and Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (“West Route JV”) respectively were pledged to banks for securing general banking facilities granted to the respective jointly controlled entities.

Capital Commitments

As at 30th June, 2006, the Group had agreed, subject to the approvals of the relevant authorities, to make capital contribution to the West Route JV for development of the Phase II and III of the Western Delta Route amounting to approximately HK\$1,388 million (30th June, 2005: HK\$805 million for the Phase II of the Western Delta Route) which is expected to be contributed over the coming three calendar years. In addition, the GS Superhighway JV, the Ring Road JV and the West Route JV had outstanding commitments in respect of acquisition of property and equipment contracted but not provided for amounting to approximately HK\$19 million (2005: HK\$4 million).

Contingent Liabilities

As at 30th June, 2006, there was no material contingent liability of the Group since 30th June, 2005.

Material Acquisition or Disposal

During the year ended 30th June 2006, there was no material acquisition or disposal of the Company’s subsidiaries or associated companies.

OTHER DISCLOSURES

Purchase, Sale or Redemption of Securities

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

Review of Final Results

The audited financial statements of the Group for the year ended 30th June, 2006 have been reviewed by the Audit Committee of the Company.

Code of Best Practice and Model Code

During the year, the Company has met the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2006

	Notes	2005 HK\$'000 (restated)	2006 HK\$'000
Turnover	2	1,514,408	1,734,763
Other income	3	144,324	336,721
Toll operation expenses		(98,336)	(113,376)
Depreciation and amortisation charges		(271,679)	(320,226)
General and administrative expenses		(80,960)	(91,459)
Finance costs	4	(227,206)	(286,208)
Profit before tax	5	980,551	1,260,215
Income tax expenses	6	(63,420)	(111,297)
Profit for the year		<u>917,131</u>	<u>1,148,918</u>
Dividends paid	7	<u>656,346</u>	<u>706,017</u>
Attributable to:			
Equity holders of the Company		899,304	1,128,490
Minority interests		17,827	20,428
		<u>917,131</u>	<u>1,148,918</u>
		HK cents	HK cents
Earnings per share	8		
Basic		<u>31.18</u>	<u>38.85</u>
Diluted		<u>30.98</u>	<u>38.63</u>

CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	2005 HK\$'000 (restated)	2006 HK\$'000
ASSETS		
Non-current Assets		
Property and equipment	9,360,085	9,380,957
Additional investment cost in jointly controlled entities	1,815,123	1,763,351
Investment in toll expressway project under development	46,315	47,157
Prepaid lease payments	124,193	123,901
Balances with jointly controlled entities	1,094,995	1,166,667
	<u>12,440,711</u>	<u>12,482,033</u>
Current Assets		
Inventories	1,762	2,251
Other receivables, deposits and prepayments	70,850	96,421
Other receivable from a joint venture partner	79,655	82,455
Prepaid lease payments	4,435	4,591
Held-to-maturity debt securities	737,591	—
Pledged bank deposits	333,534	357,620
Bank balances and cash	1,725,461	3,050,869
	<u>2,953,288</u>	<u>3,594,207</u>
Total Assets	<u>15,393,999</u>	<u>16,076,240</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	288,838	294,962
Reserves	9,246,200	10,005,217
Equity attributable to equity holders of the Company	9,535,038	10,300,179
Minority interests	33,109	35,656
Total Equity	<u>9,568,147</u>	<u>10,335,835</u>
Non-current Liabilities		
Bank and other loans	4,587,932	4,376,578
Balances with joint venture partners	614,892	640,917
Deferred tax liabilities	166,890	193,449
	<u>5,369,714</u>	<u>5,210,944</u>
Current Liabilities		
Other payables, accruals and deposits received	140,492	135,905
Bank and other loans	196,069	264,987
Other payable to a jointly controlled entity	97,651	99,618
Other interest payable	4,304	7,984
Tax liabilities	17,622	20,967
	<u>456,138</u>	<u>529,461</u>
Total Liabilities	<u>5,825,852</u>	<u>5,740,405</u>
Total Equity and Liabilities	<u>15,393,999</u>	<u>16,076,240</u>

Notes:

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS/ OTHER RESTATEMENT

In the current year, the Group has adopted a number of new or revised International Accounting Standards (“IASs”), International Financial Reporting Standards (“IFRSs”) and Interpretations (hereinafter collectively referred to as “new IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee of the IASB that are relevant to its operations and are effective for accounting periods beginning on or after 1st January, 2005. The adoption of the new IFRSs has resulted in a change in the presentation of the consolidated income statement and consolidated balance sheet. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new IFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Share-based Payments

In 2004, IASB issued IFRS 2 “Share-based Payment”, which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of IFRS 2 on the Group is in relation to the expensing of directors’ and employee’s share options of the Company. Prior to the adoption of IFRS 2, the Group did not recognise the financial effect of share-based payments. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium.

The Group has taken advantage of the transitional provisions set out in IFRS 2. In relation to share options granted on or before 7th November, 2002 and share options granted after 7th November, 2002 and vested before effective date of IFRS 2 (1st July, 2005), the Group has not recognised and expensed those share options. All share options granted in prior years were vested before 1st July, 2005 and no options were granted during the current year. Accordingly, the adoption of IFRS 2 has no impact to the financial statements of the current year.

Financial Instruments

In the current year, the Group has applied the revised IAS 39 “Financial Instruments: Recognition and Measurement”. The revised IAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, has been applied retrospectively.

In prior years, interest-free loans were stated at their nominal values. The revised IAS 39 requires that all financial assets and financial liabilities to be measured at fair value on initial recognition. Interest-free loans are measured at amortised cost using the effective interest method at subsequent balance sheet dates. Because revised IAS 39 has been applied retrospectively, comparative figures have been restated. The Group’s retained profits as at 1st July, 2004 have been increased by approximately HK\$84,018,000. Profit for the year ended 30th June, 2006 has been decreased by approximately HK\$2,488,000 (2005: HK\$1,613,000).

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Imputed interest income on non-current interest-free loans made to a jointly controlled entity	24,662	23,244
Imputed interest expense on non-current interest-free loans made by joint venture partners to a jointly controlled entity	(26,029)	(25,463)
Imputed interest expense on non-current other interest-free loan	(246)	(269)
	<u>(1,613)</u>	<u>(2,488)</u>
Decrease in profit for the year	<u>(1,613)</u>	<u>(2,488)</u>
Decrease in profit attributable to equity holders of the Company	<u>(1,613)</u>	<u>(2,488)</u>

Analysis of decrease in profit for the year in accordance with the presentation of the consolidated income statement:

	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Increase in other income	24,662	23,244
Increase in finance costs	(26,275)	(25,732)
	<u>(1,613)</u>	<u>(2,488)</u>
Decrease in profit for the year	<u>(1,613)</u>	<u>(2,488)</u>

Effect on the balance sheet as at 30th June, 2005 are as follows:

	As originally stated <i>HK\$'000</i>	Effect of revised IAS 39 <i>HK\$'000</i>	Effect of revised IAS 1 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Balances with jointly controlled entities	1,201,151	(106,156)	—	1,094,995
Bank and other loans				
- non-current portion	(4,600,399)	12,467	—	(4,587,932)
Balances with joint venture partners	(790,986)	176,094	—	(614,892)
	<u>(790,986)</u>	<u>176,094</u>	<u>—</u>	<u>(614,892)</u>
Total effect on assets and liabilities		<u>82,405</u>	<u>—</u>	
Retained profits	1,937,600†	82,405	—	2,020,005
Minority interests	—	—	33,109	33,109
	<u>—</u>	<u>—</u>	<u>33,109</u>	<u>33,109</u>
Total effect on equity		<u>82,405</u>	<u>33,109</u>	
Minority interests	33,109	—	(33,109)	—
	<u>33,109</u>	<u>—</u>	<u>(33,109)</u>	<u>—</u>

The financial effects of the application of the new IFRSs to the Group's equity on 1st July, 2004 are summarised below:

	As originally stated <i>HK\$'000</i>	Effect of revised IAS 1 <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Retained profits	1,701,458 [†]	84,018	1,785,476
Minority interests	—	32,239	32,239
Total effects on equity	<u>1,701,458</u>	<u>116,257</u>	<u>1,817,715</u>

† The retained profits shown above include dividend reserve previously presented as a separate item in reserves.

2. 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 People's Republic of China (the "PRC") through its jointly controlled entities established in the PRC.

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

3. OTHER INCOME

	2005 <i>HK\$'000</i> <i>(restated)</i>	2006 <i>HK\$'000</i>
Interest income from:		
A jointly controlled entity (interest-bearing loan)	20,272	31,060
A joint venture partner	16,683	—
Bank deposits	26,507	108,187
Held-to-maturity debt securities (net premium amortised of HK\$3,914,000 (2005: HK\$40,826,000))	24,494	3,822
Imputed interest income on interest-free loan made to a jointly controlled entity (note 1)	24,662	23,244
Net exchange gain	—	146,272
Rental income	20,734	7,897
Management fee income from jointly controlled entities	4,400	3,962
Others	6,572	12,277
	<u>144,324</u>	<u>336,721</u>

4. FINANCE COSTS

	2005 HK\$'000 (restated)	2006 HK\$'000
Interest on:		
Bank loans	174,965	246,161
Loan made by a jointly controlled entity	20,877	—
Loan made by a joint venture partner (interest-bearing loans)	296	295
Other loan wholly repayable within five years	4,793	5,078
Imputed interest on:		
Interest-free loan made by joint venture partners (note 1)	26,029	25,463
Other interest-free loan (note 1)	246	269
	<u>227,206</u>	<u>277,266</u>
Other financial expenses (note)	—	8,942
	<u>227,206</u>	<u>286,208</u>

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 a period of 5 years commencing from 13th October, 2005. At 30th June, 2006, the Group did not utilise any part of such facilities.

5. PROFIT BEFORE TAX

	2005 HK\$'000	2006 HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Auditors' remuneration		
Current year	1,004	1,632
Overprovision in prior year	(145)	(215)
	<u>859</u>	<u>1,417</u>
Net exchange losses	6,299	—
Staff costs (excluding directors)	69,865	73,171
Amortisation of:		
Additional investment cost in jointly controlled entities	45,829	51,772
Prepaid lease payments	4,435	4,620
Depreciation of:		
Toll expressways	215,598	252,829
Other property and equipment	5,817	11,005
(Gain) loss on disposal of property and equipment	(80)	11,059
Loss on disposal of held-to-maturity debt securities	751	—
	<u>751</u>	<u>—</u>

6. INCOME TAX EXPENSES

	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The tax charge comprises:		
PRC income tax	34,819	84,738
Deferred taxation	28,601	26,559
	<u>63,420</u>	<u>111,297</u>

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, a jointly controlled entity of the Group, amounting to approximately HK\$84,530,000 (2005: HK\$34,544,000) which is calculated at 7.5% (2005: 7.5%) of the estimated assessable profit for the year (2005: estimated assessable profit for the period from 1st January, 2005 to 30th June, 2005 after the 5-year exemption from the PRC foreign enterprise income tax expired on 31st December, 2004) and the provision of PRC withholding tax on the income received and receivable from the Group's jointly controlled entity amounting to approximately HK\$208,000 (2005: HK\$275,000) 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. DIVIDENDS

	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Dividends paid		
Interim dividend paid of HK11.50 cents (2005: HK10.25 cents) per share	296,043	337,707
Final dividend paid for year ended 30th June, 2005 paid of HK12.75 cents (2005: year ended 30th June, 2004 paid of HK12.50 cents) per share	<u>360,303</u>	<u>368,310</u>
	<u>656,346</u>	<u>706,017</u>
Final dividend proposed of HK17.00 cents (2005: HK12.75 cents) per share	<u>368,274</u>	<u>504,547</u>

A final dividend in respect of the financial year 2006 of HK17.00 cents per share amounting to a total of approximately HK\$504,547,000 is proposed by the Board. The dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these financial statements.

8. 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:

	2005 <i>HK\$'000</i> <i>(restated)</i>	2006 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>899,304</u>	<u>1,128,490</u>
	2005 Number of shares	2006 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,884,047,244	2,905,096,514
Effect of dilutive potential ordinary shares:		
Warrants	18,516,745	15,766,115
Share options	<u>380,009</u>	<u>281,586</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,902,943,998</u>	<u>2,921,144,215</u>

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in detail in note 1. To the extent that changes have had an impact on results reported for 2005 and 2006, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005 <i>HK cents</i>	2006 <i>HK cents</i>	2005 <i>HK cents</i>	2006 <i>HK cents</i>
Figures before changes in accounting policies	31.24	38.94	31.03	38.72
Effect on changes in accounting policies (note 1)	<u>(0.06)</u>	<u>(0.09)</u>	<u>(0.05)</u>	<u>(0.09)</u>
Figures after changes in accounting policies	<u>31.18</u>	<u>38.85</u>	<u>30.98</u>	<u>38.63</u>

9. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30th June, 2006 amounted to approximately HK\$15,546,779,000 (2005 as restated: HK\$14,937,861,000). The Group's net current assets at 30th June, 2006 amounted to approximately HK\$3,064,746,000 (2005: HK\$2,497,150,000).

As at the date hereof, the Directors of the Company are:

Sir Gordon Ying Sheung WU, Mr. Eddie Ping Chang HO, Mr. Thomas Jefferson WU, Mr. Alan Chi Hung CHAN, Ir. Leo Kwok Kee LEUNG, Mr. Lijia HUANG, Mr. Cheng Hui JIA, Mr. Philip Tsung Cheng FEI(#), Mr. Lee Yick NAM(#), Mr. Kojiro NAKAHARA(#), Dr. Gordon YEN(#) and Mr. Barry Chung Tat MOK .

(#)Independent Non-Executive Directors

** for identification only*

Please also refer to the published version of this announcement in South China Morning Post.