



Hopewell Highway Infrastructure Limited

合和公路基建有限公司*

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS FOR THE FINANCIAL YEAR ENDING 30TH JUNE, 2004

HIGHLIGHTS

For the six months ended 31st December, 2003,

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

GROUP RESULTS

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

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

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

INTERIM DIVIDEND AND CLOSE OF REGISTER

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

BUSINESS REVIEW

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

GS Superhighway

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

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

Several initiatives were completed to improve traffic flow and capacity along GS Superhighway. The historically busy 2.7 km section between Hezhou and Huangtian interchanges of the GS Superhighway was widened from dual three-lane to dual four-lane. Further, additional toll lanes were added at historically busy toll stations, such as Huangtian, Nantou and Baoan. The joint venture company will continue to closely monitor traffic

conditions on the GS Superhighway and carry out effective measures to maintain the smooth traffic flow. The toll collection system along the northbound section of the expressway has been upgraded from a magnetic card toll collection system to a contactless Integrated Circuit (IC) card system by the third quarter of 2003. The southbound upgrade will be completed in 2004.

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

ESW Ring Road

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

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

Phase 1 West

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

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

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

Notes:

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

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

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

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

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

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

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

Interest Rate Exposure and Exchange Rate Exposure

There have been no significant changes in the Group's policy in terms of interest rate and exchange rate exposures. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures as the Hong Kong Dollar is pegged to US Dollar, and the exchange rate between Renminbi and Hong Kong Dollar is relatively stable. Business operations of the Group and its jointly controlled entities are mainly denominated in these three currencies.

Contingent Liabilities

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

PROSPECTS

Western Delta Route - Phases 2 & 3

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

Hong Kong-Zhuhai-Macau Bridge

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st December, 2003

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

Notes:

1. CORPORATE REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated on 14th January, 2003 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company is an investment holding company. The Company's ultimate holding company is Hopewell Holdings Limited, a public limited liability company incorporated in Hong Kong whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a group reorganisation (the "Corporate Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares (the "Listing") on the Stock Exchange, the Company became the holding company of the Group on 30th June, 2003.

On 23rd July, 2003, 2,156,879,750 shares of HK\$0.1 each were allotted and issued, credited as fully paid, on capitalisation of the sum of HK\$4,500 million due to the immediate holding company of the Company (“Capitalisation Issue”).

On 5th August, 2003, 720,000,000 new shares of the Company of HK\$0.1 each were issued at HK\$4.18 per share for cash through an initial public offering by way of placing and public offer.

The shares of the Company have been listed on the Stock Exchange with effect from 6th August, 2003.

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

4. OTHER OPERATING INCOME

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

5. PROFIT FROM OPERATIONS

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSES

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

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

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

Pursuant to an approval from the Guangdong Tax Bureau, the rate of foreign enterprise income tax payable by 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (“GS Superhighway JV”), a jointly controlled entity of the Group, in respect of its income arising from the operation of toll roads and related service facilities (excluding hotels and entertainment facilities) is 15% and GS Superhighway JV is entitled to a five year exemption from foreign enterprise income tax for such income commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. For the following five years, it will enjoy a 50% reduction in the rate of income tax payable in respect of such income. Pursuant to another approval from the Guangdong Tax Bureau, GS Superhighway JV is also exempt from paying a local income tax (currently set at a rate of 3%) in respect of income arising from the operation of toll road and related service facilities for ten years commencing from the first profit-making year. The first year for which GS Superhighway JV recorded profits for PRC tax purposes was the year ended 31st December, 2000.

Pursuant to an approval from the Guangzhou branch of the State Tax Bureau, the rate of foreign enterprise income tax payable by 廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited (“Ring Road JV”), another jointly controlled entity of the Group, in respect of its income arising from the operation of toll road is 15%. Pursuant to an approval from the Guangzhou Municipal Government, Ring Road JV is entitled to a five year exemption from foreign enterprise income tax for income arising from the operation of toll road commencing from the first profit-making year, as computed under PRC accounting standards and tax regulations. For the following five years, it will enjoy a 50% reduction in the rate of foreign enterprise income tax payable. In respect of income arising from toll operations and related service facilities, Ring Road JV is also exempted from paying a local income tax (currently set at a rate of 3%) for ten years commencing from the first profit-making year. Because Ring Road JV has not yet recorded profits for PRC tax purposes, the exemptions from paying foreign enterprise income tax and local income tax have so far had no effect on Ring Road JV.

8. DIVIDEND

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

9. EARNINGS PER SHARE

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

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

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

10. CHARGES ON ASSETS

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

11. CAPITAL COMMITMENTS

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

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EMPLOYEES

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

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE OF HONG KONG LIMITED ("THE EXCHANGE'S") WEBSITE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Exchange's website in due course.

By order of the Board
Sir Gordon Ying Sheung WU, KCMG, FICE
Chairman

Hong Kong, 26th February, 2004

** For identification only*