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Management Discussion & Analysis

BUSINESS REVIEW

The Group has been focusing principally on the investment, development, operation and management of toll road projects since it was established. In 2004, the Group started to step into the property development business in the Mainland in a limited scale.

For the six months ended 30 June 2005, the Group reported a profit attributable to shareholders of HK\$205.86 million (2004: HK\$178.14 million), an increase of 16% as compared to that in the corresponding period of 2004. Earnings per share was HK35 cents (2004: HK30 cents).

TOLL ROAD BUSINESS

During the first half of 2005, the Group's toll road projects experienced a steady growth in traffic flow and toll revenue. The total traffic volume and toll revenue of the Group were 66 million vehicles and RMB1.09 billion respectively, representing an increase of 9% and 24% as compared with those in the same period of 2004.

In line with the Group's long-term development plan and strategy, the Group signed an agreement in January 2005 to transfer its entire interest of the Changzhou-Caoqiao Highway Project to a PRC third party with the consideration of approximately HK\$106 million.

Also in January 2005, the Group finalized the joint venture agreement with the PRC partners to invest in, operate and manage the 45% of equity interest of Tangshan-Tianjin Expressway in Hebei Province. The project commenced its profit contribution to the Group in February 2005.

Regarding to the arbitration pleas requesting the PRC joint venture partners and related parties of Yulin City projects in Guangxi Zhuang Autonomous Region to honor the joint venture contracts and related agreements, the China International Economic and Trade Arbitration Commission has just finalized its award in favour of the Group. It was held that the PRC joint venture partners are required to pay the Group the sum of approximately RMB243 million, and the local municipal government and her related parties were also held to be responsible for part of the awarded sum in case there is any shortfall in payment. Nevertheless, the Group is not certain as to the extent and when the related payment will be settled.

During the period, the Group had negotiated and fine tuned the process for the acquisition of several prospective expressway projects in the PRC including the Hefei-Yeji Expressway in Anhui Province last year. The conclusion of this project is subject to the approval of related PRC authorities.

Management Discussion & Analysis

BUSINESS REVIEW *(continued)*

PROPERTY BUSINESS

After years of extensive researches and preparations, the Group commenced its property business in the PRC in 2004. At present, the Group has projects located in Guangzhou, Guangdong Province and Changzhou, Jiangsu Province.

The projects in Guangzhou are located in Tianhe District and the one next to the Tianhe Park has already under construction. Presale is expected to commence at the end of this year or beginning of next year.

During the first six months of 2005, the Group has successfully secured the land use rights of three pieces of land in the Wujin District in Changzhou, Jiangsu Province. Project planning is underway, and construction will begin within this year.

Based on the present circumstances, it is expected that the property business will start contributing profit to the Group in 2006.

OTHERS - GINSENG BUSINESS

During the reporting period, the Group's other non-core business, Chai-Na-Ta Corp., the world's largest supplier of North American ginseng incurred a net loss. The decrease in earnings was resulted primarily from the reduction in sales demand and margins on sales.

Management Discussion & Analysis

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, the Group's total assets and net assets amounted to HK\$7 billion and HK\$5.09 billion respectively. The net asset value per share was HK\$8.64 (31 December 2004: HK\$8.48). The Group's cash and bank deposit was HK\$323 million. During the period, the Group's cash generated from the toll road projects amounted to HK\$445 million (2004: HK\$305 million).

As at 30 June 2005, the Group's total borrowings was HK\$1.78 billion (31 December 2004: HK\$1.91 billion). The gearing and the net gearing ratios were 35% (31 December 2004: 38%) and 29% (31 December 2004: 7%) respectively.

The Group's major cash outflows for the period were mainly used in the acquisition of Tangshan-Tianjin Project, the investment in property development projects and early repayment of a HK\$306 million HK\$ denominated loan facility.

The debt maturity profile of the Group was as follows:

Year of Maturity	HK\$ million
Repayable within 1 year	211
Repayable after 1 year, but within 2 years	4
Repayable after 2 years, but within 5 years	4
Repayable after 5 years	1,559

As at 30 June 2005, the Group's borrowings were primarily denominated in US\$. Other than the US\$200 million fixed-rate US\$ denominated guaranteed notes, all borrowings of the Group were on floating-rate basis.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

The Group maintained a conservative treasury policy to minimize exposure to foreign exchange risks. As the Group's borrowings are principally denominated in US\$, but its cash flow generated from the projects is denominated mainly in RMB, the announcement made by The People's Bank of China on the revaluation of RMB on 21 July 2005 had a positive impact to the Group's finance. Yet, the actual benefits contributed to the Group by this revaluation are not reflected in this interim report. Other than that, the Group has no significant exposure to foreign exchange fluctuation.

CONTINGENT LIABILITIES

As at 30 June 2005, the Group had no contingent liabilities.

MAJOR CAPITAL COMMITMENTS

As at 30 June 2005, the Group's major capital commitments amounted approximately to HK\$392 million. Of this balance, a total amount of HK\$35 million will be paid out in 2005, and the remaining balance will be required in 2006 and thereafter.

Management Discussion & Analysis

EMPLOYEES

Excluding joint ventures, the Group had 244 employees as at 30 June 2005. Employees are remunerated according to their performances and responsibilities. Other employee benefits include, inter alia, provident fund, insurance, medical coverage as well as share option schemes.

PROSPECTS

The persistent solid PRC economic development boosts both commercial activities and transportation demand. The rapid growth in vehicle possession and expressway coverage foster favorable operating environment for the toll road industry. It is expected that the Group's toll road projects will continue to perform well in the second half of this year. The Group will continue to make extra effort to push for the negotiation and approval for prospective expressway projects, so as to fortify the core business.

The development on the Group's property business is encouraging. In the second half of the year, the Group will continue to develop the projects on hand with determination. The Group will secure the success of the property business development by enlarging the professional management team and refining the organizational structure.

Condensed Financial Statements

RESULTS

The Board of Directors (the "Board") of Road King Infrastructure Limited (the "Company") is pleased to announce the unaudited condensed consolidated income statement of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005, together with the comparative figures for the corresponding period in 2004, the unaudited condensed consolidated balance sheet of the Group as at 30 June 2005 together with audited comparative figures as at 31 December 2004, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		Six months ended 30 June	
	NOTES	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover	3	35,093	26,810
Net income recognised in respect of goodwill and negative goodwill	5	—	3,983
Interest income		4,128	2,250
Other operating income		12,231	2,465
Cost of inventories sold		(14,286)	(20,588)
Operating expenses		(49,114)	(42,262)
Operating loss: Group	6	(11,948)	(27,342)
Share of operating profit of infrastructure joint ventures	7	266,032	238,706
Operating profit: Group and share of infrastructure joint ventures		254,084	211,364
Finance costs	8	(57,090)	(35,414)
Profit before taxation		196,994	175,950
Taxation	9	5,834	1,544
Profit for the period		202,828	177,494
Attributable to:			
Shareholders of the Company		205,860	178,138
Minority interests		(3,032)	(644)
		202,828	177,494
Dividends	10	105,813	58,467
Earnings per share	11		
- Basic		HK\$0.35	HK\$0.30
- Diluted		HK\$0.35	HK\$0.30

Condensed Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

	NOTES	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
ASSETS			
Non-current assets			
Goodwill		1,343	1,343
Negative goodwill		—	(12,172)
Property, plant and equipment		61,802	64,689
Interests in infrastructure joint ventures	12	5,290,271	4,751,332
		<u>5,353,416</u>	<u>4,805,192</u>
Current assets			
Properties under development for sale		235,005	193,793
Inventories and ginseng crops		214,042	202,879
Financial assets		7,800	7,800
Derivative financial instruments	13	8,585	—
Debtors, deposits and prepayments	14	857,244	225,437
Charged deposits	15	—	44,223
Bank balances and cash		322,864	1,524,891
		<u>1,645,540</u>	<u>2,199,023</u>
Total assets		<u><u>6,998,956</u></u>	<u><u>7,004,215</u></u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	16	58,863	58,612
Reserves		5,028,566	4,909,501
		<u>5,087,429</u>	4,968,113
Minority interests		<u>42,269</u>	45,778
Total equity		<u>5,129,698</u>	5,013,891
Non-current liabilities			
Bank and other borrowings - due after one year	17	1,566,917	1,779,213
Deferred taxation		9,697	15,777
		<u>1,576,614</u>	1,794,990
Current liabilities			
Creditors and accrued charges	18	81,851	62,646
Bank and other borrowings - due within one year	17	210,793	132,688
		<u>292,644</u>	195,334
Total equity and liabilities		<u><u>6,998,956</u></u>	<u><u>7,004,215</u></u>

Condensed Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Attributable to shareholders of the Company					Total	Minority interests	Total equity
	Share capital	Share premium	Translation reserve	Special reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2004	58,414	1,532,519	27,848	1,260,000	1,850,219	4,729,000	45,287	4,774,287
Exchange differences arising on translation of foreign operations and not recognised in the income statement	—	—	(5,120)	—	—	(5,120)	(1,190)	(6,310)
Issue of ordinary shares	61	3,110	—	—	—	3,171	—	3,171
Profit for the period	—	—	—	—	178,138	178,138	(644)	177,494
Dividends	—	—	—	—	(58,467)	(58,467)	—	(58,467)
Balance at 30 June 2004	<u>58,475</u>	<u>1,535,629</u>	<u>22,728</u>	<u>1,260,000</u>	<u>1,969,890</u>	<u>4,846,722</u>	<u>43,453</u>	<u>4,890,175</u>
Balance at 1 January 2005								
- as previously stated	58,612	1,542,547	40,178	1,260,000	2,066,776	4,968,113	45,778	5,013,891
- opening balance restated (Note 2 (a)(ii))	—	—	—	—	12,172	12,172	—	12,172
- opening balance restated (Note 2 (c)(iii))	—	—	—	—	(4,679)	(4,679)	—	(4,679)
- as restated	<u>58,612</u>	<u>1,542,547</u>	<u>40,178</u>	<u>1,260,000</u>	<u>2,074,269</u>	<u>4,975,606</u>	<u>45,778</u>	<u>5,021,384</u>
Exchange differences arising on translation of foreign operations and not recognised in the income statement	—	—	(1,151)	—	—	(1,151)	(477)	(1,628)
Issue of ordinary shares	251	12,676	—	—	—	12,927	—	12,927
Profit for the period	—	—	—	—	205,860	205,860	(3,032)	202,828
Dividends	—	—	—	—	(105,813)	(105,813)	—	(105,813)
Balance at 30 June 2005	<u>58,863</u>	<u>1,555,223</u>	<u>39,027</u>	<u>1,260,000</u>	<u>2,174,316</u>	<u>5,087,429</u>	<u>42,269</u>	<u>5,129,698</u>

Condensed Financial Statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Net cash used in operating activities	(547,951)	(43,246)
Net cash (used in) from investing activities	(370,835)	181,196
Net cash used in financing activities	(283,232)	(117,072)
Net (decrease) increase in cash and cash equivalents	(1,202,018)	20,878
Cash and cash equivalents at 1 January	1,524,891	431,833
Effect of foreign exchange rate changes	(9)	(102)
Cash and cash equivalents at 30 June	<u>322,864</u>	<u>452,609</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>322,864</u>	<u>452,609</u>

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. BASIS OF PREPARATION

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for the ginseng crops at the point of harvest and financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also 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:

(a) Business combinations

In the current period, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

(i) Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Business combinations *(continued)*

- (ii) Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 January 2005, which was previously presented as a deduction from assets, with a corresponding increase to retained earnings. As a result of the adoption of HKFRS 3, the retained profits of the Group at 1 January 2005 were increased by HK\$12,172,000. Negative goodwill of the Group at 1 January 2005 was reduced by HK\$12,172,000.

(b) Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based payments" 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 HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has not applied HKFRS 2 to share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. Comparative figures have not been restated.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Financial instruments

In the current period, the Group has applied HKAS 32 “Financial instruments: disclosure and presentation” and HKAS 39 “Financial instruments: recognition and measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

(i) Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gain or losses included in the profit or loss. “Held-to-maturity investments” are carried at amortised cost less impairment loss (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Financial instruments *(continued)*

(ii) Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. Other financial liabilities are carried at amortised cost using the effective interest method.

(iii) Derivatives and hedging

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that are not for hedging purposes, on 1 January 2005, the Group recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 1 January 2005 in the Group's retained earnings. As a result of adoption of HKAS 39, the retained profits of the Group at 1 January 2005 was reduced by HK\$4,679,000. Interest receivable of the Group at 1 January 2005 was reduced by HK\$1,248,000. Financial liabilities of the Group at 1 January 2005 were increased by HK\$3,431,000.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Interests in jointly controlled entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 "Interests in jointly controlled entities" allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue using the equity method to account for its interests in jointly controlled entities.

The Group has not early applied the new Standards or Interpretations that have been issued by HKICPA before 30 June 2005 but are not yet effective for the accounting periods on or after 1 January 2005. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

3. TURNOVER

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
The Group		
Minimum income undertakings	32,393	5,561
Sales of goods	2,700	21,249
	<u>35,093</u>	<u>26,810</u>
Share of infrastructure joint ventures		
Toll revenue	570,144	462,758
	<u>605,237</u>	<u>489,568</u>
The Group and share of infrastructure joint ventures		

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

4. SEGMENTAL INFORMATION

The Group's turnover and profit for the six months ended 30 June 2005 by business activity and geographical market are as follows:

By business segments:

	Toll Road	Other	Unallocated	Consolidated
	HK\$'000	Businesses* HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2005				
Turnover	32,393	2,700	—	35,093
Segment results	21,447	(22,956)	—	(1,509)
Interest income	470	64	3,594	4,128
Corporate income	—	—	10,773	10,773
Corporate expenses	—	—	(25,340)	(25,340)
Operating profit (loss): Group	21,917	(22,892)	(10,973)	(11,948)
Share of operating profit of infrastructure joint ventures	266,032	—	—	266,032
Finance costs	(6,459)	(1,966)	(48,665)	(57,090)
Profit (loss) before taxation	281,490	(24,858)	(59,638)	196,994
Taxation	—	5,834	—	5,834
Profit (loss) for the period	281,490	(19,024)	(59,638)	202,828

* Other businesses mainly include the property and ginseng businesses.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

4. SEGMENTAL INFORMATION *(continued)*

By business segments: *(continued)*

	Toll Road	Other Businesses*	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2004				
Turnover	5,561	21,249	—	26,810
Segment results	(3,895)	(7,133)	—	(11,028)
Net income recognised in respect of goodwill and negative goodwill	(74)	4,057	—	3,983
Interest income	1,048	25	1,177	2,250
Corporate income	—	—	658	658
Corporate expenses	—	—	(23,205)	(23,205)
Operating loss: Group	(2,921)	(3,051)	(21,370)	(27,342)
Share of operating profit of infrastructure joint ventures	238,706	—	—	238,706
Finance costs	(7,430)	(78)	(27,906)	(35,414)
Profit (loss) before taxation	228,355	(3,129)	(49,276)	175,950
Taxation	—	1,544	—	1,544
Profit (loss) for the period	228,355	(1,585)	(49,276)	177,494

* Other businesses mainly include the ginseng business.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

4. SEGMENTAL INFORMATION *(continued)*

By geographical segments:

	The PRC HK\$'000	Hong Kong HK\$'000	Overseas** HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2005				
Turnover	32,393	68	2,632	35,093
Segment results	16,723	(467)	(17,765)	(1,509)
For the six months ended 30 June 2004				
Turnover	5,561	20,585	664	26,810
Segment results	(6,678)	(7,881)	3,531	(11,028)

** Overseas segment mainly includes Canada.

5. NET INCOME RECOGNISED IN RESPECT OF GOODWILL AND NEGATIVE GOODWILL

The amount in 2004 mainly represented the negative goodwill arising from the Group's conversion of 10,000,000 preferred shares of Chai-Na-Ta Corp into common shares in 2003. It was recognised as income over a period of not more than 3 years, being the remaining weighted average useful life of the non-monetary assets acquired by the Group. The negative goodwill at 1 January 2005 has been derecognised upon the adoption of HKFRS 3 as set out in note 2(a)(ii).

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

6. OPERATING LOSS : GROUP

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Operating loss has been arrived at after charging:		
Depreciation of property, plant and equipment	5,250	5,934
Less: capitalised in inventories and ginseng crops	(3,862)	(4,900)
Less: capitalised in properties under development for sale	(94)	—
	1,294	1,034
Write-down of inventory and crop costs	10,743	—
Staff costs (excluding directors' emoluments)	33,874	28,358
Provident fund scheme contributions	950	819
Less: capitalised in inventories and ginseng crops	(8,943)	(8,671)
Less: capitalised in properties under development for sale	(1,816)	—
Total staff costs	24,065	20,506
and after crediting:		
Gain on disposal of interest in an infrastructure joint venture <i>(Note 19)</i>	252	—
Unrealised gain on derivative financial instruments	8,585	—
Realised gain on investments held for trading	2,188	526

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

7. SHARE OF OPERATING PROFIT OF INFRASTRUCTURE JOINT VENTURES

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Share of operating profit of infrastructure joint ventures	402,298	334,219
Less: depreciation of toll highway operation rights	(111,501)	(74,481)
Less: current tax	(20,015)	(17,132)
Less: deferred taxation	(4,750)	(3,900)
	266,032	238,706

The current tax amounts represent the share of PRC income tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for temporary differences between the carrying amount of toll road operation right and the corresponding tax base used in the computation of taxable profits for the PRC infrastructure joint ventures.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

8. FINANCE COSTS

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Interest on :		
Borrowings wholly repayable:		
within five years	2,445	29,715
over five years	48,750	—
Add: discount on guaranteed notes	83	810
	<hr/>	<hr/>
Total borrowing costs	51,278	30,525
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction	3,298	3,254
Other finance costs	5,588	1,657
	<hr/>	<hr/>
	60,164	35,436
Less: amount capitalised	(3,074)	(22)
	<hr/>	<hr/>
	57,090	35,414
	<hr/> <hr/>	<hr/> <hr/>

9. TAXATION

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Taxation attributable to overseas subsidiaries		
Deferred tax	5,834	1,544
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax has been provided for temporary differences arising from an overseas subsidiary mainly in respect of its ginseng crops.

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

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

10. DIVIDENDS

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Final dividend in respect of 2004 of HK18 cents (2003 : HK10 cents) per share	<u>105,813</u>	<u>58,467</u>

An interim dividend in respect of 2005 of HK17 cents (2004 : HK16 cents) per share amounting to a total of HK\$100,110,000 (2004 : HK\$93,779,000) has been approved by the Board. This interim dividend has not been included as a liability in these interim financial statements.

The amount of the interim dividend has been calculated on the basis of 588,882,566 shares in issue as at 29 July 2005.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>205,860</u>	<u>178,138</u>
	2005 Number of shares	2004 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	586,954,000	584,512,000
Effect of dilutive potential ordinary shares: Share options	<u>926,000</u>	<u>1,514,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>587,880,000</u>	<u>586,026,000</u>

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

12. INTERESTS IN INFRASTRUCTURE JOINT VENTURES

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Cost of investments	2,260,791	2,015,608
Share of post-acquisition undistributed results	2,002,667	1,801,175
	4,263,458	3,816,783
Loans to infrastructure joint ventures	3,767,639	3,410,990
Repayment of loans from infrastructure joint ventures	(2,844,993)	(2,584,826)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction	104,167	108,385
	5,290,271	4,751,332

Loans to infrastructure joint ventures are unsecured and interest free.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into foreign currency interest rates swaps contracts to swap the periodic fixed rate USD interest payments to the fixed rate HKD interest payments.

The fair value of swaps contracts entered into at 30 June 2005 is estimated at HK\$8,585,000 (1 January 2005 : liability of HK\$3,431,000). All of these swaps are not qualified for hedge accounting and the change in fair value of HK\$8,585,000 was credited to income statement.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

14. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of prepaid land cost of HK\$565,926,000 (31 December 2004 : HK\$76,934,000) and an amount of HK\$72,424,000 (31 December 2004 : HK\$104,962,000) representing minimum income undertakings due from the PRC joint venture partners.

Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to the schedules agreed with the relevant PRC joint venture partners.

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Aging analysis of debtors		
Within 60 days	137,776	23,949
60 to 90 days	858	1,317
More than 90 days	102,166	84,097
	240,800	109,363
Interest receivable	361	2,096
Deposits and prepayments	616,083	113,978
	857,244	225,437

The directors consider that the carrying amounts of debtors, deposits and prepayments approximate their fair values.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

15. CHARGED DEPOSITS

The amount of 2004 was deposited into a designated bank and was maintained in accordance with the terms and conditions of the Group's financing agreement. The bank balance was charged in favour of a bank and part of deposit was applied towards the debt repayment, the manner of which was contained in the relevant financing agreement.

As at 31 December 2004, bank balances of HK\$44,223,000 were classified under current assets because the balances were pledged as security for the Group's indebtedness due within one year. The charge was released following the early repayment of the outstanding balance of the HK\$350 million transferable loan certificate in January 2005.

16. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
At 30 June 2005 and 31 December 2004		
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>2,000,000</u>
7.5% convertible preference shares of HK\$0.1 each	<u>518,380</u>	<u>52</u>
Issued and fully paid:		
Ordinary shares		
At 1 January 2005	586,122,566	58,612
Ordinary shares issued	<u>2,510,000</u>	<u>251</u>
At 30 June 2005	<u>588,632,566</u>	<u>58,863</u>

As a result of the exercise of the Company's share options during the period, 2,510,000 ordinary shares were issued by the Company during the period ended 30 June 2005.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

17. BANK AND OTHER BORROWINGS

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Guaranteed notes (<i>Note i</i>)	—	1,092,000
Repurchase of guaranteed notes	—	(469,440)
Repayment of guaranteed notes	—	(622,560)
	<u>—</u>	<u>—</u>
Guaranteed notes (<i>Note ii</i>)	1,558,761	1,558,678
Bank loans (<i>Note iii</i>)	215,676	350,612
Other loans	3,273	2,611
	<u>1,777,710</u>	<u>1,911,901</u>
The maturity of the above loans is as follows:		
Unsecured loans repayable:		
Within one year	166,429	—
More than five years	1,558,761	1,558,678
	<u>1,725,190</u>	<u>1,558,678</u>
Secured loans repayable:		
Within one year	44,364	132,688
More than one year but not exceeding two years	4,264	87,559
More than two years but not exceeding five years	3,892	132,976
	<u>52,520</u>	<u>353,223</u>
Less: Amount due within one year shown under current liabilities	<u>(210,793)</u>	<u>(132,688)</u>
Non-current liabilities	<u>1,566,917</u>	<u>1,779,213</u>

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

17. BANK AND OTHER BORROWINGS *(continued)*

Notes:

- (i) The guaranteed notes bore interest at a fixed rate of 9.5% per annum and were fully repaid in July 2004.
- (ii) The guaranteed notes bear interest at a fixed rate of 6.25% per annum and will mature in July 2011.
- (iii) Interest rates on the bank loans are floating and determined with reference to either LIBOR, HIBOR or interest rates set by The People's Bank of China.

The bank loans are guaranteed either by the Company and/or certain of its subsidiaries.

18. CREDITORS AND ACCRUED CHARGES

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Aging analysis of creditors:		
Within 60 days	18,735	704
Interest payable	45,089	45,106
Accrued charges	18,027	16,836
	<hr/> 81,851 <hr/>	<hr/> 62,646 <hr/>

The directors consider that the carrying amounts of creditors and accrued charges approximate their fair values.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

19. DISPOSAL OF INTEREST IN AN INFRASTRUCTURE JOINT VENTURE

The Group's disposal of its interest in an infrastructure joint venture during the period had the following effects:

	30 June 2005 HK\$'000
Interest in an infrastructure joint venture	
Cost of investments	55,985
Share of post-acquisition undistributed results	8,957
Loans to infrastructure joint venture	83,945
Repayment of loans from infrastructure joint venture	(47,140)
Interest capitalised	920
	<hr/>
	102,667
Net consideration	102,919
	<hr/>
Gain on disposal of interest in an infrastructure joint venture	252
	<hr/> <hr/>
Satisfied by:	
Consideration receivable	105,919
Expenses incurred in respect of the disposal	(3,000)
	<hr/>
	102,919
	<hr/> <hr/>

During the period, the disposal of the infrastructure joint venture did not make major contribution to the Group's net operating cash flow and profit attributable to shareholders.

Condensed Financial Statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2005

20. CAPITAL COMMITMENTS

At the balance sheet date, the Group had material capital commitments as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Contracted but not provided for		
Investment costs to be injected into subsidiaries		
Within one year	35,390	39,579
In the second to fifth year inclusive	322,522	—
	357,912	39,579
Investment costs to be injected into infrastructure joint ventures after the fifth year	34,177	34,177
	392,089	73,756

21. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no outstanding contingent liabilities.

22. POST BALANCE SHEET EVENTS

- (a) In July 2005, the Company has secured through auction the right to acquire the land use rights on a piece of land situated at Wujin District, Changzhou City, Jiangsu Province, the PRC at a consideration of HK\$323 million.
- (b) In July 2005, the China International Economical Trade Arbitration Commission finalized its award in favour of the Group in respect of the Group's claims against the PRC joint venture partners and related parties for breaching the joint venture contracts and related agreements regarding Yulin City projects. It was held that the PRC joint venture partners are required to pay approximately RMB243 million to the Group. The Group is in the process of evaluating the likelihood of the full recovery of the awarded sum and will only recognise in the books when the recoverability is reasonably certain.

Independent Review Report



TO THE BOARD OF DIRECTORS OF ROAD KING INFRASTRUCTURE LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 6 to 28.

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 Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 "Engagement to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the management of the Company and its subsidiaries 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 30 June 2005.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 29 July 2005

Dividend

DIVIDEND

The Board has resolved to pay an interim dividend of HK17 cents (2004: HK16 cents) per ordinary share for the six months ended 30 June 2005 to the shareholders of the Company whose names appear in the Register of Members of the Company on 19 August 2005, Friday.

It is expected that the payment of dividend will be made on or before 31 August 2005, Wednesday.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 August 2005, Tuesday to 19 August 2005, Friday, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 15 August 2005, Monday.

Corporate Governance

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, with deviations from code provisions A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

Under the code provisions A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the Directors of the Company (executive and non-executive) are subject to the retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

Under the previous Bye-laws of the Company, the Chairman of the Board and the Managing Director of the Company were not subject to retirement by rotation. This constitutes a deviation from the code provision A.4.2 of the Code. To comply with the code provision, relevant amendment to Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of Company held on 13 May 2005 whereby the Chairman of the Board and the Managing Director of the Company are now subject to retirement by rotation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2005.

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2005, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

(I) THE COMPANY

(a) Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
		Long position	Short position	
Zen Wei Pao, William	Personal	5,000,000 (Note 2)	—	0.85
Ko Yuk Bing	Personal	1,750,000 (Note 1)	—	0.30
		3,400,000 (Note 2)	—	0.58
Chan Kam Hung	Personal	100,000 (Note 1)	—	0.02
		3,100,000 (Note 2)	—	0.53
Zen Wei Peu, Derek	Personal	2,466,000 (Note 1)	—	0.42
		1,300,000 (Note 2)	—	0.22
Fong Shiu Leung, Keter	Personal	2,000,000 (Note 2)	—	0.34
Hu Aimin	Personal	250,000 (Note 2)	—	0.04
Chan Hing Chiu, Vincent	Personal	500,000 (Note 2)	—	0.08*
Chow Shiu Kee, Stephen	Personal	160,000 (Note 1)	—	0.03
		500,000 (Note 2)	—	0.08

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying shares of the Company pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors or the chief executive are included in this category, the particulars of which are set out in (I)(b) below.

* As at 30 June 2005, the issued share capital is 588,632,566 shares. Accordingly, the percentage has been adjusted.

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS *(continued)*

(I) THE COMPANY *(continued)*

(b) *Interests in underlying shares through equity derivatives*

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options
			HK\$	
Zen Wei Pao, William	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,500,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	2,500,000
Ko Yuk Bing	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,100,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	2,300,000
Chan Kam Hung	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,300,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,800,000
Zen Wei Peu, Derek	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,300,000
Fong Shiu Leung, Keter	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,000,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,000,000
Hu Aimin	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000
Chan Hing Chiu, Vincent	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000
Chow Shiu Kee, Stephen	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS *(continued)*

(II) DETAILS OF SHARE OPTIONS

For the period ended 30 June 2005, 2,510,000 share options granted under the New Share Option Scheme of the Company were exercised. Details of the New Share Option Scheme were disclosed in the Company's annual report for the year ended 31 December 2004.

A summary of movement during the period under the New Share Option Scheme is as follows:

Name	Date of grant	Exercisable period	Exercise price	Balance at 1.1.2005	Number of share options			Balance at 30.6.2005
					Granted during the period	Exercised during the period**	Cancelled during the period	
				HK\$				
Directors								
Zen Wei Pao, William	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,500,000	—	—	—	2,500,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	2,500,000	—	—	—	2,500,000
Ko Yuk Bing	17 October 2003	17 October 2003 to 16 October 2008	5.15	2,300,000	—	(1,200,000)	—	1,100,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	2,300,000	—	—	—	2,300,000
Chan Kam Hung	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,300,000	—	—	—	1,300,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,800,000	—	—	—	1,800,000
Zen Wei Peu, Derek	17 October 2003	17 October 2003 to 16 October 2008	5.15	650,000	—	(650,000)	—	—
	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,300,000	—	—	—	1,300,000
Fong Shiu Leung, Keter	17 October 2003	17 October 2003 to 16 October 2008	5.15	1,000,000	—	—	—	1,000,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	1,000,000	—	—	—	1,000,000
Hu Aimin	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000	—	—	—	250,000
Chan Hing Chiu, Vincent	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000	—	—	—	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000	—	—	—	250,000
Chow Shiu Kee, Stephen	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000	—	—	—	250,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000	—	—	—	250,000

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS *(continued)*

(II) DETAILS OF SHARE OPTIONS *(continued)*

Name	Date of grant	Exercisable period	Exercise price	Number of share options				Balance at 30.6.2005
				Balance at 1.1.2005	Granted during the period	Exercised during the period**	Cancelled during the period	
			HK\$					
James Herbert Stewart	17 October 2003	17 October 2003 to 16 October 2008	5.15	250,000	—	(250,000)	—	—
	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000	—	—	(250,000)	—
Liu Zixian	26 August 2004	26 August 2004 to 25 August 2009	5.70	250,000	—	—	(250,000)	—
				<u>18,650,000</u>	<u>—</u>	<u>(2,100,000)</u>	<u>(500,000)</u>	<u>16,050,000</u>
Others								
Employees	17 October 2003	17 October 2003 to 16 October 2008	5.15	4,054,000	—	(410,000)	—	3,644,000
	26 August 2004	26 August 2004 to 25 August 2009	5.70	3,940,000	—	—	—	3,940,000
				<u>7,994,000</u>	<u>—</u>	<u>(410,000)</u>	<u>—</u>	<u>7,584,000</u>
				<u>26,644,000</u>	<u>—</u>	<u>(2,510,000)</u>	<u>(500,000)</u>	<u>23,634,000</u>

** The weighted average closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$5.575.

Save as disclosed above, none of the Directors or chief executive of the Company or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the New Share Option Scheme as mentioned earlier, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2005, so far as is known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares held		Percentage of holding*
		Long position	Short position	
		(Note 1)		(%)
Wai Kee Holdings Limited (Note 2)	Corporate	275,639,428	—	46.83
Wai Kee (Zens) Holding Limited (Note 3)	Corporate	275,639,428	—	46.83
Groove Trading Limited (Note 4)	Personal/Beneficiary	66,000,000	—	11.21
Wai Kee China Investments (BVI) Company Limited (Note 4)	Corporate	206,022,428	—	35.00
Wai Kee China Investments Company Limited (Note 5)	Corporate	206,022,428	—	35.00
ZWP Investments Limited (Note 6)	Personal/Beneficiary	206,022,428	—	35.00
Shenzhen Investment Limited (Note 7)	Corporate	146,069,142	—	24.81
Hover Limited (Note 8)	Personal/Beneficiary	146,069,142	—	24.81
Cheah Cheng Hye (Note 9)	Personal	450,000		0.08
	Family	230,000		0.04
	Corporate	69,615,852	—	11.83
		<u>70,295,852</u>		<u>11.95</u>
Value Partners Limited	Investment Manager	70,101,852	—	11.91

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
 2. Wai Kee Holdings Limited is deemed to be interested in the shares through its interests in (i) its wholly owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited respectively; and (ii) its subsidiaries, namely Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Absolute Achieve Holdings Limited and Smart Start Investments Limited, which beneficially held 3,617,000 shares, respectively.
 3. Wai Kee (Zens) Holding Limited is a direct wholly owned subsidiary of Wai Kee Holdings Limited.
 4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly owned subsidiaries of Wai Kee (Zens) Holding Limited.
 5. Wai Kee China Investments Company Limited is a direct wholly owned subsidiary of Wai Kee China Investments (BVI) Company Limited.
 6. ZWP Investments Limited is a direct wholly owned subsidiary of Wai Kee China Investments Company Limited.
 7. Shenzhen Investment Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Hover Limited.
 8. Hover Limited is a direct wholly owned subsidiary of Shenzhen Investment Limited.
 9. Cheah Cheng Hye is deemed to be interested in the shares through his 31.82% interest in Value Partners Limited.
- * *As at 30 June 2005, the issued share capital of the Company is 588,632,566 shares. Accordingly, the percentage has been adjusted.*

Save as disclosed above, no other person (other than a Director or the chief executive of the Company) has any interest or a short position in the shares and underlying shares of the Company as recorded as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Other Information

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 six months ended 30 June 2005.

CONTINUING DISCLOSURE OF THE LISTING RULES

In compliance with continuing disclosure obligations of the Listing Rules, the following information is disclosed:

1. Pursuant to rules 13.13 and 13.16 of the Listing Rules:
 - (a) All the Group's investments in highway projects are structured in the form of Sino-foreign co-operative joint ventures. The 44 joint ventures are regarded as infrastructure joint ventures irrespective of whether the Group's interests exceed 50% or not. The investments are in the form of both registered capital and loans. The size of loans made by the Group and by the other joint venture partner(s) to each joint venture is in proportion to the respective interests in each joint venture.
 - (b) During the period, the Group has not provided guarantees in respect of bank facilities utilised by the infrastructure joint ventures.
 - (c) The total amount of loans to the infrastructure joint ventures is HK\$3.77 billion which in aggregate exceeds 8% of the Group's adjusted total assets of HK\$6.9 billion (being the Group's total assets as at 30 June 2005 adjusted for the interim dividend proposed for the year ended 31 December 2005 by the Company) as at 30 June 2005 and exceeds 8% of the Company's market capitalization of HK\$3.52 billion as at 30 June 2005. The loans are actually part of the investments and are unsecured and interest free.
 - (d) The loans to the infrastructure joint ventures were funded by equities raised at the listing of the Company or by borrowings or internal resources of the Group.

Other Information

CONTINUING DISCLOSURE OF THE LISTING RULES (continued)

PRC Infrastructure Joint Ventures	% of interest held indirectly by the Company	Loan to	Outstanding
		joint venture	loan to be injected
		HK\$'000	HK\$'000
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	124,677	—
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited	60%	75,663	—
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited	60%	67,252	—
Anhui Road Universe Liuan Highway Development Co., Ltd.	50%	64,705	—
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	60%	65,277	—
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	60%	78,083	—
Bengbu Road King Huaimeng Highway Development Co., Ltd.	60%	57,201	—
Foshan Guangsan Special-Use Automobile Highway Co., Ltd.	35%	258,377	—
Guangxi Hengjing Highway Development Co., Ltd.	70%	61,513	18,384
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	15,793
Handan Rongguang Highway Development Co., Ltd.	70%	79,223	—
Handan Xinguang Highway Development Co., Ltd.	70%	80,474	—
Hebei Baofa Expressway Co., Ltd.	40%	54,064	—
Hebei Baofeng Expressway Co., Ltd.	40%	54,111	—
Hebei Baohui Expressway Co., Ltd.	40%	53,907	—
Hebei Baojie Expressway Co., Ltd.	40%	54,994	—
Hebei Baojin Expressway Co., Ltd.	40%	54,403	—
Hebei Baoli Expressway Co., Ltd.	40%	55,049	—
Hebei Baoming Expressway Co., Ltd.	40%	50,550	—
Hebei Baosheng Expressway Co., Ltd.	40%	54,187	—
Hebei Baoyi Expressway Co., Ltd.	40%	54,445	—
Hebei Baoyu Expressway Co., Ltd.	40%	54,703	—
Hebei Tanghui Expressway Co., Ltd.	45%	182,778	—
Hebei Tangjin Expressway Co., Ltd.	45%	159,225	—
Hebei Tangrun Expressway Co., Ltd.	45%	109,749	—
Hunan Changyi (Baining) Expressway Co., Ltd.	43.17%	58,635	—
Hunan Changyi (Cangyi) Expressway Co., Ltd.	43.17%	59,832	—
Hunan Changyi (Changbai) Expressway Co., Ltd.	43.17%	59,567	—
Hunan Changyi (Hengcang) Expressway Co., Ltd.	43.17%	61,465	—
Hunan Changyi (Ningheng) Expressway Co., Ltd.	43.17%	59,510	—
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.	43.17%	47,346	—

Other Information

CONTINUING DISCLOSURE OF THE LISTING RULES *(continued)*

PRC Infrastructure Joint Ventures	% of interest held indirectly by the Company	Loan to joint venture	Outstanding loan to be injected
		HK\$'000	HK\$'000
Liuan Road Universe Liuye Highway Development Co., Ltd.	50%	68,487	—
Liuan Road Universe Pihe Bridge Development Co., Ltd.	50%	63,286	—
Luodingshi Luochong Highway Company Limited	61%	114,725	—
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	68,352	—
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd.	50%	59,025	—
Shanxi Lutong Dongguan Highway Co., Ltd.	65%	99,693	—
Shanxi Lutong Taigu Highway Co., Ltd.	60%	76,080	—
Shanxi Lutong Taiyu Highway Co., Ltd.	65%	75,938	—
Shanxi Lutong Yuci Highway Co., Ltd.	65%	60,460	—
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd.	45%	377,028	—
Shijiazhuang Luhui Road & Bridge Development Co., Ltd.	60%	96,810	—
Shijiazhuang Luxin Road & Bridge Development Co., Ltd.	60%	54,116	—
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd.	50%	120,874	—
		3,767,639	34,177
		3,767,639	34,177

2. Pursuant to rule 13.18 of the Listing Rules:

The Group had a transferable term loan facility for the amount of HK\$350 million. The facility would have been matured in June 2007 but was early repaid in January 2005. Under the facility agreement, the single largest shareholder of the Company was required to maintain directly or indirectly not less than thirty-five per cent (35%) of each class of the issued voting share capital of the Company throughout the continuance of the facility.

Other Information

CONTINUING DISCLOSURE OF THE LISTING RULES *(continued)*

3. Pursuant to rule 13.22 of the Listing Rules:

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the period ended 30 June 2005, is as follows:

	30 June 2005 HK\$'000
Balance sheet	
Property, plant and equipment	10,360,210
Current assets	763,497
Current liabilities	(497,291)
Net current assets	266,206
Amounts due to joint venture partners	(3,598,500)
Net assets	7,027,916

4. Save as disclosed above, there is no other continuing disclosure required to be made by the Company pursuant to Chapter 13 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2005.

By Order of the Board

Ko Yuk Bing

Managing Director

Hong Kong, 29 July 2005

Corporate Information

EXECUTIVE DIRECTORS

Zen Wei Pao, William (Chairman)
Ko Yuk Bing (Managing Director & CEO)
Chan Kam Hung (COO)
Zen Wei Peu, Derek
Fong Shiu Leung, Keter (Finance Director)

NON-EXECUTIVE DIRECTORS

Hu Aimin
Zhang Yijun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Hing Chiu, Vincent
Chow Shiu Kee, Stephen
Lau Sai Yung

AUDIT COMMITTEE

Lau Sai Yung (Chairman)
Chan Hing Chiu, Vincent
Chow Shiu Kee, Stephen

REMUNERATION COMMITTEE

Chan Hing Chiu, Vincent (Chairman)
Zen Wei Pao, William
Chow Shiu Kee, Stephen
Lau Sai Yung

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Richards Butler
Sidley Austin Brown & Wood
Conyers, Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
CITIC Ka Wah Bank Limited
Calyon Corporate and Investment Bank
Industrial and Commercial Bank of China (Asia) Limited
KBC Bank N.V.
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

QUALIFIED ACCOUNTANT

Fong Shiu Leung, Keter

COMPANY SECRETARY

Fong Shiu Leung, Keter

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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SHARE LISTING

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited

The stock codes are:

The Stock Exchange of Hong Kong Limited — 1098
Reuters — 1098.HK
Bloomberg — 1098 HK

INVESTOR RELATIONS

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