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## **Hopewell Highway Infrastructure Limited**

**合和公路基建有限公司**

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

**Stock Codes: 737 (HKD counter) and 80737 (RMB counter)**

## **FINAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

### **Highlights**

#### **Change of Financial Year End Date**

- The financial year end date of the Company has changed from 30 June to 31 December following the publication of the audited consolidated financial statements of the Group for the year ended 30 June 2018
- This is the first financial year after the change. Accordingly, the financial reporting period as presented in the financial statements covers the period of six months from 1 July 2018 to 31 December 2018 (the “Second half of 2018”)

#### **Audited Financial Results for the Second half of 2018**

- The Group’s net profit was RMB304 million
- Proposed final dividend of RMB9.9 cents per share, representing a regular dividend payout ratio of 100%

#### **Unaudited Financial Results for the Twelve Months Ended 31 December 2018**

- Despite the impact of the profit-sharing ratio in the GS Superhighway JV was adjusted from 48% to 45% on 1 July 2017 and the decline in its toll revenue, however, driven by the continuous growth in toll revenue of the West Route JV and the fall in the latter’s interest expenses, the Group’s shared result of two expressway projects (excluding exchange differences) increased by 4% to RMB689 million
- The Group’s net profit decreased by 16% to RMB601 million, mainly due to the net exchange loss arising from the GS Superhighway JV’s US Dollar and HK Dollar loans shared by the Group amounted to RMB62 million, as compared to net exchange gain of RMB79 million recorded for the corresponding period of last year

### **Upcoming**

- 100% dividend payout target (full-year basis) is sustainable, given that (i) the Group expects to receive cash dividend of approximately RMB600 million from the GS Superhighway JV in 2019; (ii) the West Route JV is expected to distribute dividend to the Group starting from 2020 the earliest
- If the change of land use planning at Xintang interchange of the GS Superhighway is implemented, GS Superhighway JV can receive cash compensation from the government
- The Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area has been officially promulgated. The GS Superhighway and the Western Delta Route are located at the centre of Guangdong-Hong Kong-Macao Greater Bay Area and will benefit from the construction and development of the Bay Area in the future
- The HZM Bridge had commenced operation and its utilization is expected to grow gradually along with the measure that Guangdong-Hong Kong cross-boundary private cars using other land border crossings are allowed on the HZM Bridge, thus benefiting the Western Delta Route in the long term

### **Event After the Reporting Period**

- The Board proposed to change the English name of the Company from “Hopewell Highway Infrastructure Limited” to “Shenzhen Investment Holdings Bay Area Development Company Limited”, and to adopt the Chinese name of “深圳投控灣區發展有限公司” as the dual foreign name of the Company in place of its existing Chinese name “合和公路基建有限公司”. The proposed change of company name is subject to the fulfilment of the certain conditions

## **CHAIRMAN'S STATEMENT**

### **Financial Results and Dividend Proposal**

It is my honour to report on behalf of the Board to Shareholders the Group's performance for the first financial year (covering six months between 1 July 2018 and 31 December 2018) following the change of the Company's financial year end date. The Group's net profit of the toll expressway projects was RMB355 million, profit attributable to owners of the Company was RMB304 million, and basic earnings per share stood at RMB9.87 cents.

The Board has proposed a final dividend of RMB9.9 cents per share for the six months ended 31 December 2018, equivalent to 100% of profit attributable to owners of the Company. Payment of the final dividend is subject to approval at the 2019 Annual General Meeting.

### **Operating Environment**

In 2018, the global economy was weakened due to a couple of adverse factors. This included, to name a few, Sino-US trade disputes that impaired international trade and industrial production, rising global interest rate trend that resulted in financial market volatility and a decrease in risk appetite, political disturbances in Europe and the US that, combined with international diplomatic crisis, dampened market confidence, and fluctuating international crude oil prices that pushed up the production cost of businesses. These factors have intensified enterprises' operating pressure and difficulties, thus increasing the risk of economic downturn. In the face of the international headwind, Mainland China's GDP was still managed to meet its 2018 growth target. Nonetheless, in order to cope with potential slowdown in economic growth and maintain a stable economic development, the Chinese government planned to roll out in 2019 stimulus policies to support its domestic demand. This would involve, among others, accelerating approval and implementation of investment projects, expanding the scope of tax reduction for enterprises and individuals, and facilitating financing channels available on the market. These measures aimed at mitigating adverse effects caused by unstable external environment. Moreover, to create a sustainable operating environment, China continued to carry out reforms creating a relaxed and fair business environment, and encouraged researches and technological innovation to enhance marketization and improve its economy's quality.

The Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area has been officially promulgated and it becomes an important guideline for future development of including Guangdong, Hong Kong and Macao. Featuring a large population in a vast territory, as well as a burgeoning economy with high potential for development, the Bay Area has been actively rolling out a number of key projects, including the “Guangzhou-Shenzhen-Hong Kong-Macao” Corridor of Science, Technology and Innovation, the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop, and the Hengqin New Zone projects. With support from the Central Government of the PRC, cities in the Bay Area are going to strengthen their ties and deepen their cooperation. These projects will magnify the cities’ comparative advantages, facilitate an industrial upgrade and stimulate the regions’ economic development. Connecting Guangzhou Ring Road in the north, the Group’s expressway projects run through the core of the Bay Area linking Shenzhen, Dongguan, Guangzhou, Foshan, Zhongshan and Zhuhai together. Combined with the newly commissioned HZM Bridge and its related feeder roads, the Bay Area has basically formed a network of ring expressways. Such incredible geographical advantages will certainly make the projects benefit from huge transport demand to be stimulated by a burgeoning Bay Area.

The much-hyped revision of the Regulation on the Administration of Toll Roads is still in progress. The Ministry of Transport of the PRC published in December 2018 the latest revised draft for public consultation. Provided that the revised draft Regulation on the Administration of Toll Roads will be adopted and published, the toll road sector will be benefited from a long-term healthy growth.

## **Business Review and Prospects**

The Group's two expressway projects basically achieved stable performance in 2018. Both traffic volume and toll revenue of the GS Superhighway recorded a lower single-digit decline due to short-term diversion impacts caused by newly opened highways in the adjacent areas; whereas the traffic volume and toll revenue of the Western Delta Route recorded a double-digit growth because of truck restrictions imposed on Foshan Ring Road. The traffic volume of our expressways will remain stable, driven by robustness of the cities along the two projects. In addition, following the opening of the HZM Bridge in October 2018, passenger and cargo transportation on road between western PRD and Hong Kong will certainly be expedited through its connection with the Western Delta Route by feeder highways. In the long run, this helps improve the performance of the Western Delta Route.

In response to urban development needs, a local government has proposed to revise the land use planning on land plots of Xintang interchange on the GS Superhighway, and change the land usage to Type II residential. If the proposed plan is implemented, Xintang interchange will be reconstructed and vacate partial land plots for residential development. The government will resume the vacated land plots in accordance with relevant laws and regulations before putting them up for bidding and auction. Since GS Superhighway JV holds the land rights of Xintang interchange, according to relevant policies, it is entitled to cash compensation from the government when the land is resumed, whereas the cost of reconstruction of Xintang interchange will also be borne by the bidder who wins the rights of vacated residential land plots. The Group continues study to come up with a plan to further enhance and realize the land value of Xintang interchange. Moreover, there are several interchanges with similar design and land scope as Xintang interchange along the GS Superhighway. As the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area has been promulgated, local governments are expected to further optimize the land use planning for infrastructure and city development. The Group will actively engage in the process and coordinate with the local governments to explore and arrive at a win-win solution on the implementation of land use plan.

As a major overseas-listed platform under Shenzhen Investment Holdings Company Limited, our ultimate holding company, the Group's development strategy will focus on the infrastructure and correlated businesses within the Bay Area in the future. To better reflect our future business development direction and corporate identity, the Board proposed to change company name to "Shenzhen Investment Holdings Bay Area Development Company Limited". The proposal is pending approval at the 2019 Annual General Meeting.

The US Federal Reserve continued to normalize interest rates during 2018, raising the rates four times in total. As a result, the global financial environment was further tightened and the US dollar was remarkably strong, while the RMB exchange rate dramatically weakened in the second half of the year. The Group will continue to keep a close eye on market changes and strengthen its fund management. We will promptly adopt possible measures to save financial costs by mitigating impacts of rising interest rates and fluctuating exchange rates.

### **Appreciation**

Here I would like to extend my heartfelt gratitude to the Directors, senior management and all staff members of the Group for their hard work in the past year. At the same time, I also thank all our Shareholders for their support, as well as enduring trust and support from our banks and business partners. Looking forward, the Group will continue to enhance its management and seize opportunities to further grow our business!

**Zhengyu Liu\***

*Chairman*

Hong Kong, 28 February 2019

\* *For identification purpose only*

## **Final Dividend**

The Board has proposed a final dividend of RMB9.9 cents per share (equivalent to HK11.615472 cents per share at the exchange rate of RMB1:HK\$1.17328) for the six months ended 31 December 2018. The dividend represents a regular dividend payout ratio of 100% of the profit attributable to owners of the Company and will be the same as that of the previous financial year.

Subject to Shareholders' approval at the 2019 Annual General Meeting to be held on Tuesday, 30 April 2019, the proposed final dividend will be paid on Thursday, 6 June 2019 to Shareholders registered at the close of business on Tuesday, 7 May 2019.

If the proposed final dividend is approved by the Shareholders at the 2019 Annual General Meeting, it will be payable in cash in RMB or HK Dollars, or a combination of these currencies, at the exchange rate of RMB to HKD as published by The People's Bank of China on Thursday, 28 February 2019 and Shareholders will be given the option of electing to receive the final dividend in either RMB or HK Dollars or a combination of RMB and HK Dollars.

To make the dividend election, Shareholders should complete the Dividend Election Form (if applicable) and return it to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 28 May 2019. **If no dividend election is made by a shareholder, such shareholder will receive the final dividend in HK Dollars.**

## **Closure of Register**

To ascertain shareholders' eligibility to attend and vote at the 2019 Annual General Meeting to be held on Tuesday, 30 April 2019, the Register of Members of the Company will be closed from Wednesday, 24 April 2019 to Tuesday, 30 April 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the 2019 Annual General Meeting, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 23 April 2019.

To ascertain shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Tuesday, 7 May 2019, if and only if the proposed final dividend is approved by the shareholders at the 2019 Annual General Meeting. No transfer of shares of the Company will be effected on the aforementioned book-close date. To qualify for the proposed final dividend, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 6 May 2019.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Change of Financial Year End Date

As announced by the Company on 27 August 2018, the Board had resolved to change the financial year end date of the Company from 30 June to 31 December following the publication of the audited consolidated financial statements of the Group for the year ended 30 June 2018 (the “Change of Financial Year End Date”). The Change of Financial Year End Date is to align the financial year end date of the Company with that of the Company’s principal operating joint ventures incorporated in the PRC (the “PRC joint ventures”). The PRC joint ventures are statutorily required to prepare their accounts with the financial year end date of 31 December. The Board considered that the Change of Financial Year End Date would facilitate the preparation of the consolidated financial statements of the Group. The change also aligns the Company’s financial year end date with that of its ultimate holding company, Shenzhen Investments Holdings Co., Ltd.\* (深圳市投資控股有限公司), a company incorporated in the PRC.

Subsequent to Change of Financial Year End Date, the Group's new financial year will cover the period of twelve months from 1 January to 31 December. Since this is the first financial year following the change of the financial year end date, it only covers six months from 1 July 2018 to 31 December 2018 (the “Second half of 2018”). For the benefit of better understanding about the Group’s operating performance after the adoption of the new financial year end date, the business analysis described below compares figures for the twelve months ended 31 December 2018 (“2018”) with those for the twelve months ended 31 December 2017 (“2017”).

### General Business Performance

Total toll revenue generated by the GS Superhighway and the Western Delta Route in the Second half of 2018 was RMB2.477 billion, whereas the total toll revenue in 2018 was RMB4.784 billion with the aggregate average daily toll revenue grew 1% YoY to RMB13.11 million.

Impacted by traffic diversion brought forth by newly opened highways in adjacent areas and changes in the economic environment, the average daily toll revenue of the GS Superhighway in 2018 declined 3% YoY to RMB9.15 million, and the average daily full-length equivalent traffic fell 1% YoY to 102,000 vehicles. As the overall traffic volume in the region continues to increase, the negative impact from the diversion is expected to gradually decrease.

\* For identification purpose only

The Western Delta Route performed well in 2018, with its average daily toll revenue and average daily full-length equivalent traffic amounting to RMB3.95 million and 54,000 vehicles, up 10% and 10% YoY respectively. The traffic volume of trucks grew faster during the period because of truck restrictions imposed on the main alignment of Foshan Ring Road, so that some of the trucks were diverted to other routes. After the restriction ended by the end of 2018, the positive impact on the traffic volume of the Western Delta Route is expected to gradually wane. On the other hand, following the commissioning of the HZM Bridge on 24 October 2018, vehicles can travel between major cities on the west bank of the PRD and Hong Kong via the HZM Bridge and the Western Delta Route. Hence, the commissioning of the HZM Bridge slightly spurred the traffic volume of the Western Delta Route. Also, the utilization rate of the HZM Bridge is expected to gradually increase and benefit the Western Delta Route, after cross-boundary private cars in Guangdong and Hong Kong that are permitted to use other land border crossings were allowed to travel on the HZM Bridge starting 25 February 2019.

As the Group's profit-sharing ratio in the GS Superhighway JV was adjusted from 48% to 45% on 1 July 2017, the Group's shared aggregate net toll revenue fell 1% YoY in 2018 to RMB2.16 billion. Contribution from the GS Superhighway and the Western Delta Route were 68% and 32% respectively, compared to 71% and 29% respectively in 2017.

Year	2017	2018	% Change	<i>Second half of 2018</i>
<b><i>At JV level</i></b>				
<b><i>GS Superhighway</i></b>				
Average daily toll revenue <sup>#</sup> (RMB '000)	9,419	<b>9,154</b>	-3%	<b>9,242</b>
Average daily full-length equivalent traffic <sup>*</sup> (No. of vehicles '000)	103	<b>102</b>	-1%	<b>103</b>
<b><i>Western Delta Route</i></b>				
Average daily toll revenue <sup>#</sup> (RMB '000)	3,593	<b>3,952</b>	+10%	<b>4,222</b>
Average daily full-length equivalent traffic <sup>*</sup> (No. of vehicles '000)	49	<b>54</b>	+10%	<b>58</b>

# Including tax

\* Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the year under review. It can better reflect road usage as it takes into account total travelling distance by all vehicles on the expressway and is a standard operational statistic used throughout the industry

## **Operating Environment**

### ***Stable economic growth in Mainland China***

In 2018, global political and economic situations remained turbulent. With spillover from the looming Sino-US trade war under the backdrop of rising US dollar interest rates, the international situation was complicated and severe, weighing gravely on Mainland China's economic growth. The Chinese government has launched effective macro-economic policies and implemented tax reduction measures to cope with the uncertain external environment while ensuring a healthy economic growth. As a result, the GDP of Mainland China and Guangdong Province grew 6.6% and 6.8% respectively in 2018, close to the official targets set in early 2018. According to a forecast by the Chinese Academy of Social Sciences, Mainland China's GDP growth in 2019 will slow down to 6.3%, while the expected GDP growth rate for the year in Guangdong Province will be between 6.0% and 6.5%. Given that the scale of economy in Mainland China keeps on growing, the growth rate will gradually slow down. Yet, the economy will continue to grow steadily, since the government will maintain its growth of fixed asset investment and that it will promote domestic consumption demand.

### ***Growth opportunities generated by the Bay Area***

With the official promulgation of the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area by the State Council of the PRC on 18 February 2019, the strategic positioning and development objectives for the Bay Area have been confirmed. It is planned that a fundamental framework will have been established for developing an international first-class bay area and a world-class city cluster by 2022. Going forward, the Bay Area aims to build an innovation-driven economy and development model, strengthen the efficiency for an inter-area connection between manufacturing resources and the marketplace, as well as improve life quality and ecological environment, with a view to driving regional economic development and contributing to national growth. Hong Kong, Macao, Guangzhou and Shenzhen are designated as the four core cities within the plan, serving as key engines for regional development. Building on their distinctive strengths and characteristics, these cities will increase their competitiveness and drive the development of nearby regions, so as to play a positive role in building the Bay Area.

Comprising nine cities (namely Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing) in the PRD, as well as two special administrative regions (that is, Hong Kong and Macao), the Bay Area is measured about 56,000 square km in total area. Its population totalled about 70 million in 2017. Both figures have ranked the Bay Area higher than other world-known peers such as New York bay area, Tokyo bay area and San Francisco bay area. These facts have also hinted its enormous growth potential. According to the figures, the Bay Area achieved in 2017 a GDP of more than RMB10 trillion, accounting for more than 12% of Mainland China's GDP. Being one of the most dynamic regions in China, it undoubtedly has high growth potential.

### Guangdong-Hong Kong-Macao Greater Bay Area



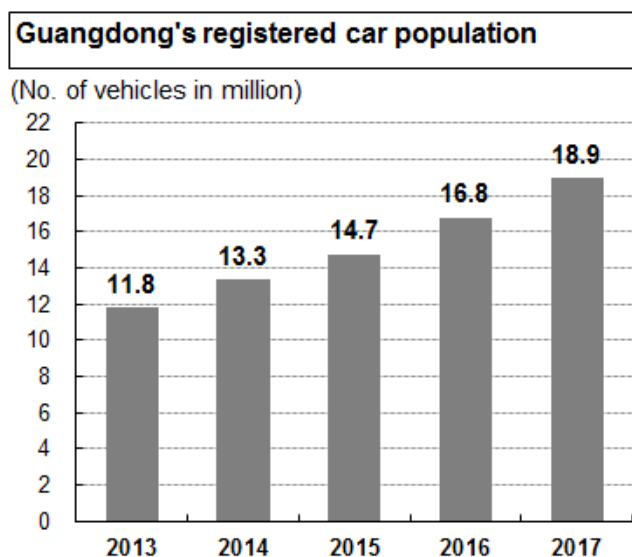
Source: Statistics Bureau of Guangdong Province, HKSAR Census and Statistics Department, Government of Macao SAR Statistics and Census Service  
 Remark: Gross domestic product of Hong Kong and Macao are calculated based on annual average exchange rates

The network of expressways in the Bay Area is gradually improving to better serve the cities in the region. Being one of the key infrastructure projects, the HZM Bridge, measured about 42 km in length, was opened to traffic on 24 October 2018. It has significantly shortened the distance of land traffic from Zhuhai and Macao to Hong Kong, and has reduced the travel time between Zhuhai and Hong Kong International Airport to about 45 minutes from about 4 hours. Vehicles from Guangzhou, Foshan, Zhongshan and Zhuhai can quickly reach the HZM Bridge via the Western Delta Route and its feeder highways. Expected to be commissioned in mid-2019, the 13 km-long Humen Second Bridge will be another important cross-river passage in the Bay Area, connecting Nansha District of Guangzhou to Dongguan City. The Humen Second Bridge will also link to Houjienan interchange of the GS Superhighway via the Dongguan-Panyu Expressway. As the economies in the Bay Area keeps growing, its traffic volume will also increase, adding that the expansion of the GS Superhighway has been mentioned in the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area and will be pushed ahead gradually, the operating performance of the GS Superhighway and the Western Delta Route are thus expected to benefit in the years to come, since they are located at the centre of the Bay Area Expressway Network.

The Guangdong Government formulated the Guangzhou-Shenzhen Corridor of Science, Technology and Innovation Plan by the end of 2017, initiating plans to build a 180 km innovation corridor in an axis area of 11,836 square km spanning Guangzhou, Dongguan and Shenzhen by making the best use of the region's various highly efficient traffic networks. Institutions along the Corridor will pool together talents, technological achievements and innovative enterprises to incubate and develop more core technologies, and to build a multi-layered system of science and technology research institutions. Meanwhile, the Corridor will help improve substantially the living environment, establish an innovative model and build China's own "Silicon Valley". According to the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area, the Corridor will be further extended to cover Hong Kong and Macao, the objective of which is to attract innovative resources around the globe through the synergy among Guangdong Province, Hong Kong and Macao in terms of scientific achievements and sector strengths, so that they will be built into the main carriers for developing an international innovation and technology hub in the Bay Area.

### ***Registered car population in Guangdong continues to grow***

Registered car population in Guangdong Province rose 13% in 2017 to a record high of about 19 million, with the nine cities in the PRD accounted for about 75%. Among them, those from Guangzhou, Foshan, Shenzhen and Dongguan totalled about 2.4 million, 2.3 million, 3.2 million and 2.6 million respectively. According to media reports, registered car population in Dongguan grew further in 2018 to about 3 million. Also in 2018, the number of vehicles sold in Mainland China was about 28 million, ranking top of the world's auto sales market for the tenth consecutive year. Consequently, registered car population continued to grow in Guangdong Province. As the number of road users has grown tremendously, the traffic volume of the GS Superhighway and the Western Delta Route will also rise in the long run.

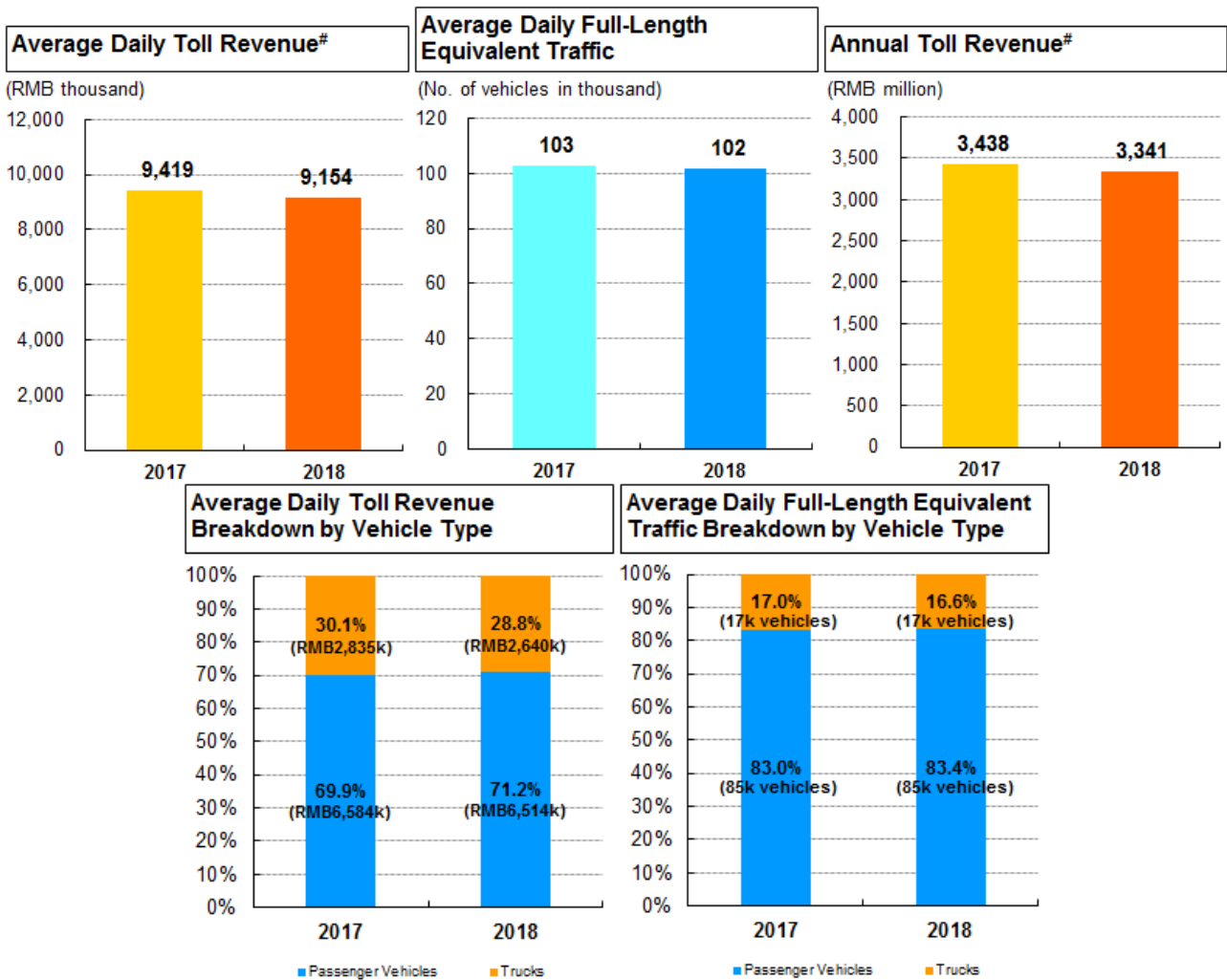


### ***Revision to the Regulation on the Administration of Toll Roads to be released***

The revised drafts of the Regulation on the Administration of Toll Roads were published in 2013 and 2015 for public consultation. On 20 December 2018, the Ministry of Transport of the PRC published the latest revised draft for another round of public consultation. Provisions of the latest draft that may have significant impact on toll roads in operation mainly include: (1) the operation period of toll expressways can be subject to reassessment if renovation and expansion projects are undertaken to increase the number of traffic lanes; (2) toll road charges may vary subject to a number of factors; and (3) should the government terminate an operating contract before expiry or implement policies that will waive toll charges or lower the tariff rates for the sake of public interests, undermining the legitimate rights and interests of toll road operators concerned and leading to any loss of revenue, the toll road operators concerned may be compensated by way of an extension of operation period or financial subsidies. The revised draft of the Regulation on the Administration of Toll Roads will further promote the healthy development of the toll road sector. In particular, it has put in place the principle of investment recovery in terms of renovation and expansion projects of expressways, thus favouring the sustainable development of the industry.

## GS Superhighway

The GS Superhighway is a main expressway connecting the three major cities — Guangzhou, Dongguan and Shenzhen in the PRD region to Hong Kong. The economies of cities along the expressway are well developed and growing steadily. The GDP of Guangzhou, Dongguan and Shenzhen rose 6.2%, 7.4% and 7.6% respectively in 2018, providing solid support for traffic volume growth of the GS Superhighway. The average daily toll revenue of the GS Superhighway fell 3% YoY in 2018 to RMB9.15 million. Its total toll revenue for the year was RMB3.341 billion. Its average daily full-length equivalent traffic fell 1% YoY to 102,000 vehicles. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 71.2% and 83.4% of the toll revenue and full-length equivalent traffic of the GS Superhighway respectively.



# Including tax

The GS Superhighway saw a decline in its toll revenue and traffic volume mainly due to impacts brought by newly operated highways near its Guangzhou section and Dongguan section. Among them, Guangzhou Northern Third Ring Road was fully opened to traffic on 29 January 2018. The expressway runs through Zengcheng, Conghua, Baiyun and Huadu districts of Guangzhou, connecting Dongguan-Shenzhen Expressway in the south, and offering an alternative route for vehicles travelling between Dongguan and Northern Guangdong. The west extension of Guangzhou-Huizhou Expressway was opened to traffic on 16 October 2018, further extending the Guangzhou-Huizhou Expressway to the Huanan Expressway, providing a convenient access to Guangzhou city centre. In addition, two local roads in Dongguan, which run parallel to Dongguan section of the GS Superhighway, were opened to traffic in November 2017 and February 2018 respectively, thus forming new competition. Following the commissioning of the above highways, the traffic volume of the GS Superhighway was affected by traffic diversion, since road users now have more options when selecting routes. Based on our past experience, the YoY impact of traffic diversion will gradually diminish, as the overall traffic in the area continues to grow. From 1 March 2018 to 31 December 2020, the Shenzhen section of the Coastal Expressway, which runs parallel to the Xinqiao-Nantou section of the GS Superhighway, offers a 50% toll discount to all types of trucks using this section, and its implementation poses a negative impact onto the GS Superhighway's truck traffic.

On 29 May and 20 July 2018 respectively, the Land Resources and Planning Bureau of Zengcheng District of Guangzhou issued a public consultation on the change to the use of the mandatory planned land located at Xintang interchange in the Guangzhou section of the GS Superhighway. It was proposed to change the land use from for roads only to for both roads and Type II residential. If the proposed plan is implemented, Xintang interchange will be reconstructed and vacate partial land plots for residential development. The government will resume the vacated land plots in accordance with relevant laws and regulations before putting them up for bidding and auction. Since the GS Superhighway JV holds the land rights of Xintang interchange, it has worked out an initial plan for Xintang interchange reconstruction so as to be entitled to cash compensation from the government, whereas the cost of reconstruction will be borne by the bidder who wins the rights to redevelop the vacated land plots.

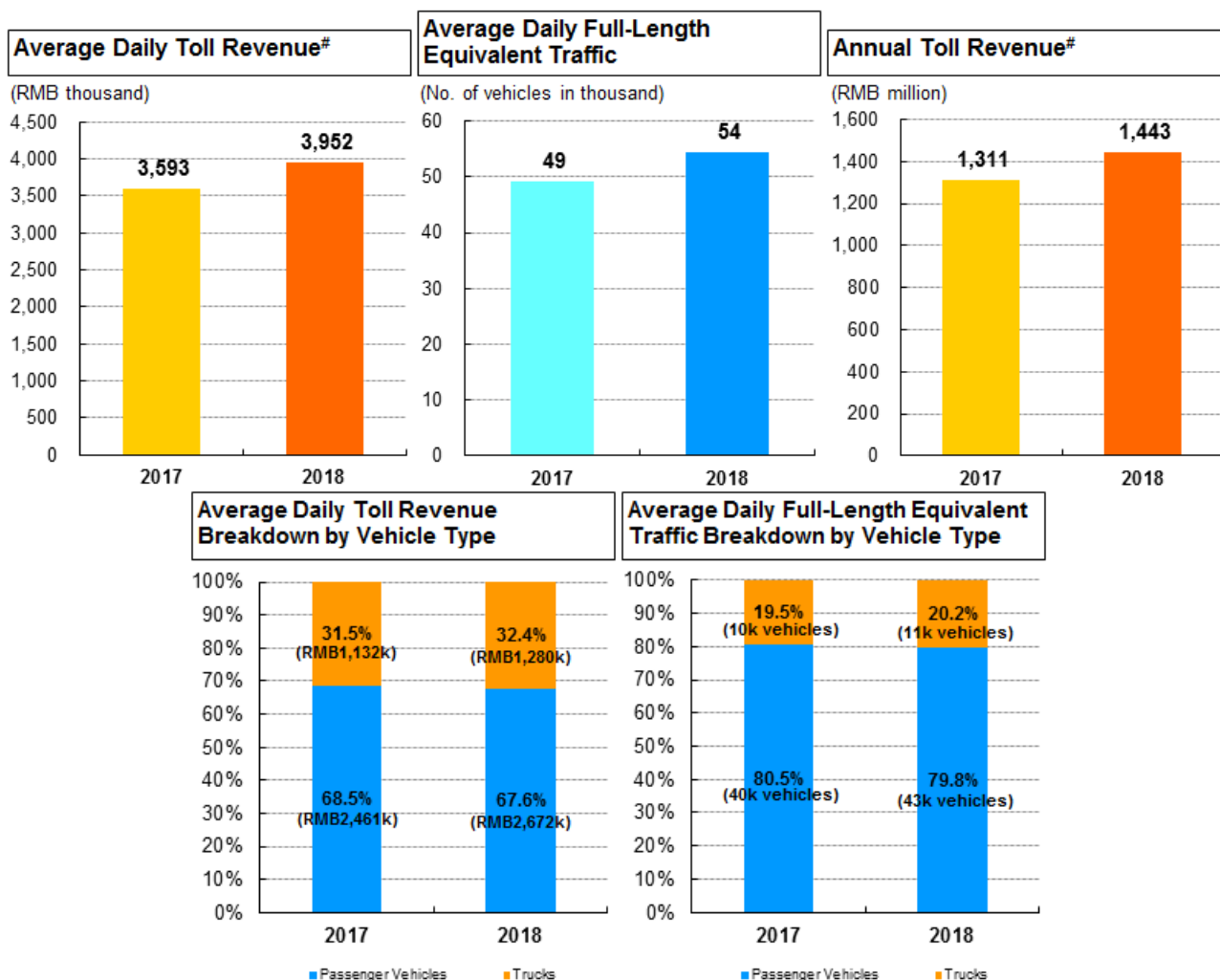


The GS Superhighway JV has been actively applying automation technology to improve its service quality and operational efficiency. Its percentage of installed automated equipment, including Electronic Toll Collection (“ETC”) devices or automatic card issuing machines, at entry lanes has reached 77%. In 2018, the GS Superhighway JV shortened the duration required for toll collection, and made payment more convenient for drivers and attendants, by installing mobile payment toll devices at exit lanes, which accept tolls paid through mobile phone applications such as WeChat Pay and Alipay. Moreover, the expansion of the GS Superhighway is mentioned in the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area, the GS Superhighway JV has already carried out a feasibility study on road expansion, so as to improve traffic efficiency by increasing the number of traffic lanes on the main alignment.

### **Western Delta Route**

The Western Delta Route, measured 97.9 km in length, is a closed expressway with a total of 6 lanes in dual directions. It runs from north to south along the central axis of western PRD and connects four major cities, namely Guangzhou, Foshan, Zhongshan and Zhuhai. Being built and opened in three phases, the Western Delta Route is the only main expressway artery between the city centres of Guangzhou and Zhuhai, and offers the most convenient access to Hengqin, Macao and Hong Kong through its connection with Second Hengqin Bridge, the Zhuhai Link Road and the HZM Bridge respectively.

In 2018, its average daily toll revenue and average daily full-length equivalent traffic rose 10% and 10% YoY respectively to RMB3.95 million and 54,000 vehicles. Meanwhile, its total toll revenue for the year amounted to RMB1.443 billion. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 67.6% and 79.8% of the Western Delta Route’s toll revenue and full-length equivalent traffic respectively. While the Western Delta Route runs through four major cities on the west bank of the Pearl River, namely Guangzhou, Foshan, Zhongshan and Zhuhai, its traffic continued to grow with the support from the economic development in these cities, which remained robust with GDP up by 6.2%, 6.3%, 5.9% and 8.0% respectively in 2018.

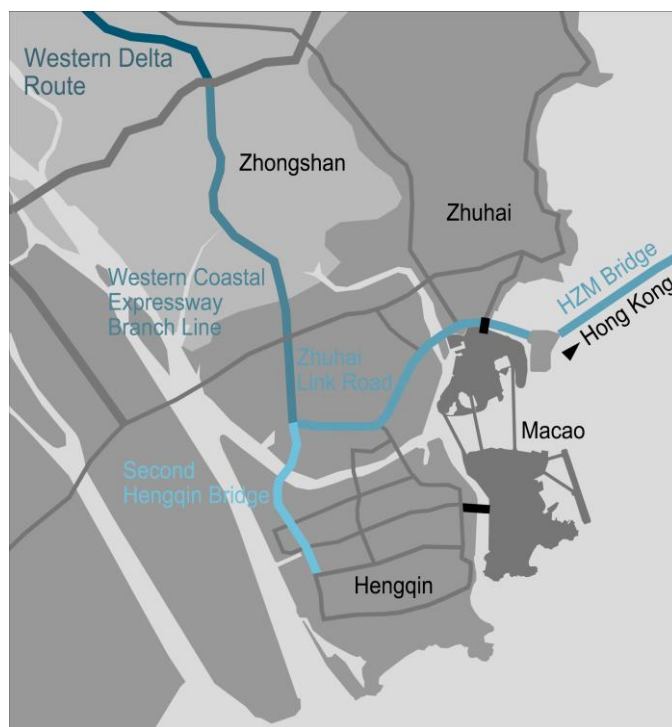


# Including tax

Foshan Ring Road, a major local road of Foshan city and close to the northern end of the Western Delta Route, was undergoing upgrade works starting late June 2017 to be developed into toll expressways. Between 1 August 2017 and 30 December 2018, it imposed restrictions banning all trucks from going through the main alignment. The traffic control measures brought a positive impact to the traffic of the Western Delta Route in 2018 and have currently been lifted. Some trucks are expected to gradually return to the Foshan Ring Road, and the impetus given to the Western Delta Route's traffic will gradually diminish. Further, Foshan Ring Road is expected to be converted from a local road into a toll expressway in the second quarter of 2019 and connects with Guangzhou-Zhongshan-Jiangmen Expressway and Jiangmen-Zhuhai Expressway. Thus it will form an expressway corridor that runs mostly parallel to the Western Delta Route, linking up Foshan, Jiangmen and western Zhuhai. Following its commission, road users will have more options of selecting expressway routes and the Group will pay close attention to its impact on the Western Delta Route after opening to traffic.

Guangzhou Municipal Public Security Bureau issued a notice on 25 May 2018, announcing three adjustments to the traffic restriction measures on trucks carrying load of 15 tonnes or above already implemented on the Guangzhou Ring Road, including: (1) extending the restriction on non-Guangzhou-registered trucks to all trucks; (2) extending the restrictive area to cover the entire Guangzhou Northern Ring Road; and (3) extending the daily restriction period from between 7:00 a.m. and 8:00 p.m. to between 7:00 a.m. and 10:00 p.m. The above adjustments took effect from 1 July 2018, for a term of 5 years. The overall truck traffic on the Western Delta Route was unaffected by the traffic restriction measures, as it only caused certain trucks to run on the road during non-control periods rather than the control period.

The Western Delta Route is the main expressway artery between Guangzhou and Zhuhai, and offers an effective access to the Hengqin New Zone and the HZM Bridge through its connection with the expressway networks in Zhuhai. The committed total project investments in Hengqin New Zone have reached over RMB500 billion in 2018 and an international leisure tourist island will be built with support from the government. A number of major projects, including the Chimelong International Ocean Tourist Resort, Novotown and projects invested by Macao companies have been completed or are under development in the region. Tourism, sports events and exhibition activities are also actively organized, which have made contributions to the local economy, as well as promotion of economic and trade activities. Moreover, the Zhuhai Government approved on 6 September 2018 the Hengqin New Zone and Free Trade Zone, Hongwan, Wanzai Regional Integration Development Plan. Under the plan, the Hengqin New Zone and its adjacent northern area will be incorporated as part of the development plan, so that the total area under development will be expanded to about 161 square km. The plan aims at developing the territory into a new city centre in Zhuhai, while building an important economic zone that will drive regional development through strengthened cooperation among Guangdong, Hong Kong and Macao. A robust Hengqin New Zone will stimulate transport demands, and hence the growth prospects of the Western Delta Route.



Commissioned on 24 October 2018, the HZM Bridge is about 42 km in length measured from its border crossings at Zhuhai and Macao to that at Hong Kong. It has significantly shortened the distance of land traffic from Zhuhai and Macao to Hong Kong, and has substantially reduced the travel time between Zhuhai and Hong Kong International Airport to about 45 minutes from about 4 hours. It is a 24-hour land border crossing other than Lok Ma Chau (Huanggang) border crossing. At present, the quotas for Guangdong-Hong Kong cross-boundary private cars and buses are 11,000 and 150 respectively, while no quota or application arrangements are required for cross-boundary trucks. Initially, the average daily cross-boundary traffic volume of the HZM Bridge exceeded 2,000 vehicles. Given that it is just a short time after the HZM Bridge opening, it has brought provisionally a slight positive impact on the traffic volume of the Western Delta Route. According to an announcement from Hong Kong Transport Department, cross-boundary private cars with regular quotas for Lok Ma Chau (Hunaggang), Sha Tau Kok and Man Kam To border crossings will be allowed to travel on the HZM Bridge without going through relevant procedures during a two-year period starting 25 February 2019; and that cross-boundary private cars with regular quotas for Shenzhen Bay border crossing will also be allowed to travel on the HZM Bridge without going through relevant procedures during a two-year period starting 29 April 2019. These measures are equivalent to boost about 30,000 cross-boundary private cars quotas using the HZM Bridge. Following its commissioning, cities in western PRD have been integrated into a 3-hour commuting radius from Hong Kong. This thus helps promote economic and trade exchanges between Hong Kong and Guangdong and generate higher demand for transportation, especially related feeder transportation. As the utilization of the HZM Bridge is expected to grow further, the traffic volume of the Western Delta Route will thus be benefited.

The West Route JV is actively making trial runs of and applying automation technology to improve its operational efficiency and to mitigate traffic pressure on the toll plazas. Its percentage of installed automation equipment, including ETC devices or automatic card issuing machines, at entry lanes has reached 55%. In 2018, the West Route JV shortened the duration required for toll collection, and made payment more convenient for drivers and attendants, by installing mobile payment toll devices at exit lanes, which accept tolls paid through mobile phone applications such as WeChat Pay and Alipay. Moreover, the West Route JV installed in August 2018 China's first free-flow ETC equipment on the main alignment of the expressway near Nanya Toll Plaza. The purpose was to effectively enhance traffic efficiency of the toll plaza by allowing vehicles to pay tolls through ETC prior to reaching the exit points.

## FINANCIAL REVIEW

This is the first financial year after the Change of Financial Year End Date. Accordingly, the financial reporting period as presented in the financial statements covers the period of six months from 1 July 2018 to 31 December 2018 (the “Second half of 2018”), while relevant comparative figures cover the period of twelve months from 1 July 2017 to 30 June 2018.

Subsequent to the Change of Financial Year End Date, the Group’s new financial year will cover the period of twelve months from 1 January to 31 December. For the benefit of better understanding on the Group’s operating performance for the twelve months ended 31 December after adoption of the new financial year end date, the Group has also presented the unaudited financial results for the period of twelve months ended 31 December 2018 (“2018”), while relevant comparative figures cover the period of twelve months ended 31 December 2017.

### Second half of 2018

The Group’s performance for the year ended 30 June 2018 and the six months ended 31 December 2018 were as follows:

RMB million	2018									
	Year ended 30 June					Six months ended 31 December				
	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results
Group’s share of project contributions:										
GS Superhighway <sup>Note 1</sup>	1,499	1,309	(463)	(325)	521	743	663	(232)	(164)	267
Western Delta Route	663	580	(229)	(213)	138	377	320	(126)	(106)	88
<b>Total</b>	<b>2,162</b>	<b>1,889</b>	<b>(692)</b>	<b>(538)</b>	<b>659</b>	<b>1,120</b>	<b>983</b>	<b>(358)</b>	<b>(270)</b>	<b>355</b>
Corporate level:										
Bank deposits interest income					18					7
Other income					1					1
General and administrative expenses and depreciation					(34)					(17)
Finance cost					(0)					(1)
Income tax expenses					(0)					(0)
<b>Sub-total</b>					(15)					(10)
<b>Profit before net exchange gain / (loss) (after deduction of related income tax)</b>					644					345
Net exchange gain / (loss) (after deduction of related income tax)					22					(37)
<b>Profit for the year / period</b>					666					308
Profit attributable to non-controlling interests					(10)					(4)
<b>Profit attributable to owners of the Company</b>					656					304

Note 1: Excluding exchange differences on US Dollar and HK Dollar loans, and related income tax.

In the Second half of 2018, the Group's share of the net toll revenue of the two projects (i.e. the GS Superhighway and the Western Delta Route) totalled RMB1.12 billion, of which, 66% was contributed by the GS Superhighway and 34% was contributed by the Western Delta Route. The total net profit of the two expressway projects (excluding the exchange differences arisen from the US Dollar and HK Dollar loans of the GS Superhighway JV, net of related income tax) was RMB355 million.

At the corporate level, a loss of RMB10 million was recorded for the Second half of 2018, mainly due to general and administrative expenses, which was partially offset by interest income. The Group's profit before net exchange loss (net of related income tax) was RMB345 million. In the Second half of 2018, the Group's share of the exchange losses of the US Dollar and HK Dollar loans was approximately RMB37 million, and the profit attributable to owners of the Company was RMB304 million.

## 2018

The Group's unaudited results for the twelve months ended 31 December 2018 and 2017 were as follows:

RMB million	Twelve months ended 31 December									
	2017					2018				
	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results
Group's share of project contributions:										
GS Superhighway <sup>Note 1</sup>	1,551	1,342	(469)	(329)	544	1,460	1,310	(459)	(324)	527
Western Delta Route	637	553	(221)	(211)	121	700	611	(238)	(211)	162
<b>Total</b>	<b>2,188</b>	<b>1,895</b>	<b>(690)</b>	<b>(540)</b>	<b>665</b>	<b>2,160</b>	<b>1,921</b>	<b>(697)</b>	<b>(535)</b>	<b>689</b>
YoY change						-1%	+1%	+1%	-1%	4%
Corporate level:										
Bank deposits interest income					20					15
Other income					1					1
General and administrative expenses and depreciation					(41)					(32)
Finance cost					(0)					(1)
Income tax expenses					(0)					(0)
<b>Sub-total</b>					(20)					(17)
<b>Profit before net exchange gain / (loss) (after deduction of related income tax)</b>					645					672
YoY change										4%
Net exchange gain / (loss) (after deduction of related income tax)					79					(62)
<b>Profit for the year</b>					724					610
Profit attributable to non-controlling interests					(10)					(9)
<b>Profit attributable to owners of the Company</b>					714					601
YoY change										-16%

Note 1: Excluding exchange differences on US Dollar and HK Dollar loans, and related income tax.

Pursuant to the GS Superhighway joint venture agreement, the Group's profit-sharing ratio in the GS Superhighway JV has been adjusted from 48% to 45% from 1 July 2017 for the next ten years until the end of contractual operation period of the GS Superhighway JV, i.e. 30 June 2027. In addition, due to the impact of traffic diversion from roads newly opened near the GS Superhighway, the Group's share of the net toll revenue of GS Superhighway decreased by 6% from RMB1.551 billion last year to RMB1.46 billion in 2018. In contrast, the Western Delta Route continued to record growth. The Group's share of net toll revenue increased to RMB700 million, an increase of 10% compared with RMB637 million for the corresponding period of last year. The Group's share of the net toll revenue of the two expressway projects totalled RMB2.16 billion, a slight decrease of 1% compared with the corresponding period of last year, of which, 68% was contributed by GS Superhighway and 32% was contributed by the Western Delta Route.

The Group's share of the aggregate EBITDA of its two toll expressways (excluding exchange differences on the GS Superhighway JV's US Dollar and HK Dollar loans, net of related income tax) increased by 1% from RMB1,895 million for last year to RMB1,921 million for 2018. The rise in the Western Delta Route's toll revenue led to a 10% growth in the Group's share of its EBITDA from RMB553 million for last year to RMB611 million for 2018, which offset the impact of the decrease in the Group's share of the EBITDA of the GS Superhighway JV due to its profit-sharing ratio adjustment and the decrease in toll revenue.

The Group's share of depreciation and amortisation charges of the GS Superhighway JV decreased by 2% from RMB469 million for last year to RMB459 million for 2018 primarily as a result of the Group's profit-sharing ratio adjustment in the GS Superhighway JV and the decrease in full-length equivalent traffic of the GS Superhighway. With healthy growth in full-length equivalent traffic of the Western Delta Route, its depreciation and amortisation charges also increased. Driven by these two factors, the Group's share of aggregate depreciation and amortisation charges increased to RMB697 million, an increase of 1% as compared to RMB690 million for the corresponding period of last year.



Despite the adjustment to the Group's profit-sharing ratio in the GS Superhighway JV, such adjustment was offset by the impact of the sustained interest rate hike in the United States, resulting in an increase in the Group's share of interest expenses of the GS Superhighway JV. The applicable EIT rate for the GS Superhighway JV maintained at 25%. The Group's share of tax expenses of the GS Superhighway JV decreased due to the effect of the adjustment to the Group's profit-sharing ratio. Overall, the Group's share of the interest and tax expenses of the GS Superhighway JV was RMB324 million, as compared with RMB329 million for the corresponding period of last year. During 2018, the interest expenses of the West Route JV further decreased as a result of further prepayment of bank loan principals of RMB820 million (JV level) by surplus cash of West Route JV. As income tax provision was started to make at the applicable EIT rate of 25% after the West Route JV turned profitable in 2015/16, the Group's share of interest and tax expenses of the West Route JV remained at RMB211 million. The Group's share of the aggregate interest and tax of its two expressway projects amounted to RMB535 million during 2018, a decrease of 1% as compared to RMB540 million for the corresponding period of last year.

Due to the impact of the Group's profit-sharing ratio adjustment in the GS Superhighway JV, coupled with the impact of traffic diversion from roads newly opened near the GS Superhighway, its net profit decreased to RMB527 million, a decrease of 3% as compared to RMB544 million for the corresponding period of last year. However, driven by the continuous growth in toll revenue and traffic of the Western Delta Route, the Group's share of its net profit increased by 34% from RMB121 million for last year to RMB162 million for 2018. The total net profit of two expressway projects (excluding exchange differences on the GS Superhighway JV's US Dollar and HK Dollar loans, net of related income tax) increased by 4% to RMB689 million, as compared to RMB665 million for the corresponding period of last year.

Interest income at the corporate level decreased from RMB20 million for last year to RMB15 million for 2018. However, the directors' remuneration costs decreased during the year as a result of change in Board members following the completion of the disposal of the entire 66.69% equity interest in the Group held by Hopewell Holdings Limited on 4 April 2018. As a result, the general and administrative expenses decreased from RMB41 million for last year to RMB32 million for 2018, and loss at the corporate level also decreased from RMB20 million for last year to RMB17 million in 2018.

The Group's profit before net exchange gain/loss (net of related income tax) increased by 4% from RMB645 million for last year to RMB672 million in 2018. However, net exchange loss mainly arising from the GS Superhighway JV's US Dollar and HK Dollar loans shared by the Group for 2018 amounted to RMB62 million, as compared to net exchange gain of RMB79 million recorded for the corresponding period of last year. As a result, profit attributable to owners of the Company decreased by 16% from RMB714 million for last year to RMB601 million (or RMB19.5 cents per share) for 2018.

Pursuant to the GS Superhighway joint venture agreement, the Group's profit-sharing ratio in the GS Superhighway JV has been adjusted from 48% to 45% from 1 July 2017 for the next ten years until the end of contractual operation period of the GS Superhighway JV, i.e. 30 June 2027. Such adjustment has an impact on the Group's results, and the Group's share of results of the GS Superhighway JV in the future will be compared on the same basis. The Group believes that our results for the coming year will continue to be supported by the healthy core operations of the GS Superhighway and the Western Delta Route, as well as the fall in the latter's interest expenses. However, the potential of continued depreciation of RMB and the interest rate hike in the United States may have a negative impact on the GS Superhighway JV's US Dollar and HK Dollar loans. For every 1% depreciation in RMB or every 1% increase in the interest rate of the US Dollar and HK Dollar loans, the Group's net profit will drop by approximately RMB9 million. Overall, the Group remains cautiously optimistic about its future performance: (i) the Western Delta Route has been achieving healthy growth since opening and will continue to benefit from the prosperous economic and road network developments, including the HZM Bridge which opened in October 2018 and the economic development in the Guangdong-Hong Kong-Macao Greater Bay Area; and (ii) the West Route JV utilised its surplus cash to prepay bank loan principals before their maturity, which is expected to result in a continuous decrease in its interest expense.

In light of our healthy financial position, the Board believes that the Group's target payout ratio of 100% on a full-year basis is sustainable. Net cash at the corporate level of approximately RMB140 million as at 31 December 2018 and steady dividend from the GS Superhighway JV, from which the Group expects to receive net dividend after tax of approximately RMB600 million in the year 2019, provide solid bases for the Group's dividend payment. Moreover, in view of the healthy growth in toll revenue of the Western Delta Route, it is expected that the West Route JV will be able to distribute dividend to the Group starting from 2020 the earliest.

The financial position of the Group comprises the assets and liabilities of corporate level and the Group's share of assets and liabilities of its two PRC JVs, namely the GS Superhighway JV and the West Route JV.

### Corporate level

	30 June 2018	31 December 2018		30 June 2018	31 December 2018
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	691	140	Other liabilities	79	81
Other assets	8	13	Interim dividend payable	371	-
	699	153		450	81
			Net asset value of corporate level	249	72

### Two JVs shared by the Group

#### GS Superhighway JV (The Group's shared portion: 45%)

	30 June 2018	31 December 2018		30 June 2018	31 December 2018
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	219	203	Bank loans		
Concession intangible assets	4,274	4,080	- USD	1,103	1,128
Property and equipment	182	190	- HKD	113	109
Other assets	26	24	- RMB	731	675
			Other loans	9	9
			Other liabilities	505	559
	4,701	4,497		2,461	2,480
			Net asset value of GS Superhighway JV	2,240	2,017

#### West Route JV (The Group's shared portion: 50%)

	30 June 2018	31 December 2018		30 June 2018	31 December 2018
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	44	76	Bank loans	3,303	3,078
Concession intangible assets	6,050	5,940	Balances with a JV partner	418	430
Property and equipment	190	183	Other liabilities	314	355
Balances with a JV	418	430			
Other assets	19	14			
	6,721	6,643		4,035	3,863
			Net asset value of West Route JV	2,686	2,780

	30 June 2018	31 December 2018		30 June 2018	31 December 2018
	RMB million	RMB million		RMB million	RMB million
			<b>Total liabilities</b>	6,946	6,424
			Equity attributable to owners of the Company	5,148	4,839
			Non-controlling interests	27	30
<b>Total Assets</b>	12,121	11,293	<b>Total Equity &amp; Liabilities</b>	12,121	11,293
			Total net assets	5,175	4,869

## Liquidity and Financial Resources

The Group has no debt at the corporate level, whereas the Group's bank balances and cash at the corporate level (excluding JVs) amounted to RMB140 million. The Group's debt balance represents its share of the non-recourse bank loans of its two JVs.

### Corporate level

	30 June 2018	31 December 2018		30 June 2018	31 December 2018
	RMB million	RMB million		RMB million	RMB million
<b>Bank balances and cash</b>	691	140	<b>Bank loan</b>	-	-
	691	140		-	-
<b>Net cash on hand : RMB140 million (30 June 2018: RMB691 million)</b>					

### Two JVs shared by the Group (including GS Superhighway JV and West Route JV)

	30 June 2018	31 December 2018		30 June 2018	31 December 2018
	RMB million	RMB million		RMB million	RMB million
<b>Bank balances and cash</b>	263	279	<b>Bank loans</b>		
			- GS Superhighway	1,947	1,912
			- Western Delta Route	3,303	3,078
	263	279		5,250	4,990
<b>Net debt<sup>Note 1</sup>: RMB4,711 million (30 June 2018: RMB4,987 million)</b>					

Note 1: Bank loans less bank balances and cash.

Given no debt at the corporate level, the Group enjoys a solid financial position. As at 31 December 2018, bank balances and cash at the corporate level (excluding JVs) amounted to RMB140 million (30 June 2018: RMB691 million), or RMB0.05 per share (30 June 2018: RMB0.22 per share).

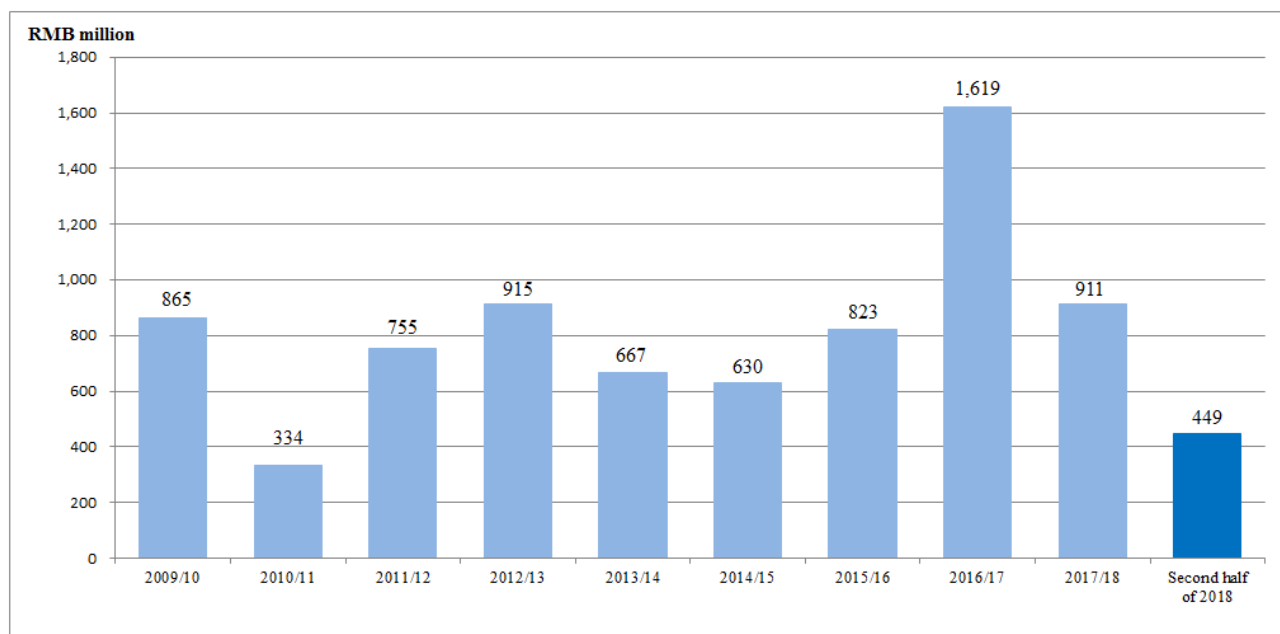
	30 June 2018 RMB million	31 December 2018 RMB million
Total debt		
- Corporate level	-	-
- Share of JV companies <sup>Note 1</sup>	5,677	5,429
Net debt <sup>Note 2</sup>	4,723	5,010
Total assets (including share of JVs' total assets)	12,121	11,293
Equity attributable to owners of the Company	5,148	4,839
Total debt/total assets ratio	47%	48%
Gearing ratio	92%	104%

Note 1: The Group's share of JVs' debt is defined as bank and other loans together with balance with JV partner.

Note 2: Net debt is defined as total debt (including share of JVs) less total bank balances and cash (including share of JVs).

The major source of the Group's cash inflow during 2018 was dividend received from the GS Superhighway JV. On the other hand, its major cash outflow was the payment of dividends to the shareholders of the Company. The Group will continue to optimise its asset and liability structure, improve its cash flow and strengthen its financial position.

### Cash Dividends (Net of Tax) from GS Superhighway JV to the Group



The reduction in the cash dividend received from the GS Superhighway JV during 2010/11 was mainly due to the fact that funds were used to provide borrowings to the West Route JV respectively. Cash dividend received during 2012/13 increased as a result of the full repayment of borrowings by the West Route JV to the GS Superhighway JV in December 2012, and the GS Superhighway JV's distribution of a dividend of RMB351 million to the Group out of such receipts. In August 2016, the GS Superhighway JV obtained an additional 8-year bank loan facility amounting to RMB2 billion to reimburse past capital expenditure funded by its shareholders. Subsequently, the GS Superhighway JV distributed post-tax dividend of RMB912 million to the Group out of this loan.

### Bank and Other Borrowings

As at 31 December 2018, the Group had no debt at the corporate level, whereas the total bank and other borrowings of the JVs shared by the Group (mainly including US Dollar bank loans of equivalent to RMB1,128 million, HK Dollar bank loan of equivalent to RMB109 million and RMB bank and other loans of RMB3,762 million) amounted to approximately RMB4,999 million (30 June 2018: RMB5,259 million) with the following profile:

- (a) 99.8% (30 June 2018: 99.8%) consisted of bank loans and 0.2% (30 June 2018: 0.2%) of other loan; and
- (b) 75% (30 June 2018: 77%) was denominated in RMB; 23% (30 June 2018: 21%) was denominated in US Dollar and 2% (30 June 2018: 2%) was denominated in HK Dollar.

## Debt Maturity Profile

As at 31 December 2018, the Group had no debt at the corporate level, whereas the maturity profile of the bank and other borrowings of two JVs shared by the Group were shown below, together with the corresponding comparatives as at 30 June 2018:

### Two JVs shared by the Group

	30 June 2018		31 December 2018	
	RMB million	%	RMB million	%
Repayable within 1 year	166	3%	175	3%
Repayable between 1 and 5 years	2,673	51%	2,791	56%
Repayable beyond 5 years	2,420	46%	2,033	41%
	5,259	100%	4,999	100%

As at 31 December 2018, 41% (30 June 2018: 46%) of the bank loans and other borrowings of two JVs shared by the Group were repayable beyond 5 years.

## Interest Rate and Exchange Rate Exposure

The Group closely monitors its exposure to interest rates and foreign currency exchange rates and strictly controls its use of financial instruments. At present, neither the Group nor its two JVs has employed any financial derivative instruments to hedge their exposure to interest rates or foreign currency exchange rates.

## Treasury Policies

The Group continues to adopt proactive but prudent treasury policies in its financial and funding management and closely monitors its liquidity, financial resources and the exchange rate movements, with a view to minimise its funding costs and enhance return on its financial assets. As at 31 December 2018, 97.1% of the bank balances and cash at the corporate level (excluding JVs) were denominated in HK Dollar and the remaining 2.9% were denominated in RMB. The overall treasury yield on bank deposits at the corporate level was 2.66% during the Second half of 2018 whereas 3.22% during 2017/18.

## **Contingent Liabilities**

During 2007/08, a subsidiary of the Company recovered the registered capital of HK\$702 million (equivalent to RMB471 million) previously injected to the GS Superhighway JV. According to the Law of the PRC on Chinese-foreign Contractual Joint Venture, in relation to the early repayment of registered capital to the foreign joint venture partner by the GS Superhighway JV before the expiry of the operation period, the subsidiary of the Company, as the foreign joint venture partner, is required to undertake the financial obligations of the GS Superhighway JV to the extent of HK\$702 million when the GS Superhighway JV fails to meet its financial obligations during the joint venture operation period.

Except for the above, the Group had no other material contingent liability as at 31 December 2018.

## **Material Acquisition or Disposal**

The Company's subsidiaries and associated companies did not make any material acquisitions or disposals during the Second half of 2018.

## **Subsequent Event to the Reporting Period**

### ***Proposed Change of Company Name***

On 28 February 2019, the Board proposed to change the English name of the Company from "Hopewell Highway Infrastructure Limited" to "Shenzhen Investment Holdings Bay Area Development Company Limited", and to adopt the Chinese name of "深圳投控灣區發展有限公司" as the dual foreign name of the Company in place of its existing Chinese name "合和公路基建有限公司" ("Change of Company Name"). The proposed Change of Company Name is subject to the following conditions:

- (i) the passing of a special resolution by the Shareholders at the 2019 Annual General Meeting to approve the Change of Company Name; and
- (ii) the Registrar of Companies in the Cayman Islands approving the Change of Company Name.

The Board considers that the Change of Company Name will demonstrate the Group's future strategy and the new name will rebuild a new corporate image and identity which will better reflect the Group's business development and its direction of future development. The Board also believes that the Change of Company Name will benefit the Group in its future business development, and is in the interests of the Company and the Shareholders as a whole.

Details of Change of Company Name were set out in the announcement of the Company dated 28 February 2019.

## **OTHER INFORMATION**

### **Review of Annual Results**

The Audit Committee of the Company had reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the Group's results for the six months ended 31 December 2018.

### **Scope of Work of the Company's auditor in respect of the Preliminary Announcement**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the six months ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on the preliminary announcement.

### **Purchase, Sale or Redemption of 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 31 December 2018.



## **Corporate Governance Practices**

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the CG Code. In July 2018, the Stock Exchange published its consultation conclusions and guidance for Boards and directors setting out the amendments to CG code (the "Revised CG Code") and related Listing Rules (the "Revised Listing Rules") to be effective on 1 January 2019. The Board has reviewed the Revised CG Code and the Revised Listing Rules and their impact to the Company and taken measures to comply with the Revised CG Code and the Revised Listing Rules.

Throughout the six months ended 31 December 2018, the Company complied with all the code provisions as set out in the CG Code except for the deviation from code provisions A.5.1 and A.5.6 of the CG Code which are explained below.

### **Code Provision A.5.1**

The Company does not consider it necessary to have a nomination committee as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole regularly reviews the plans for orderly succession for appointments to the Board and its structure, size, composition and diversity. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director(s) will normally be made by the Chairman and/or the General Manager and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

### **Code provision A.5.6**

During the period under review, the Company did not have any policy concerning diversity of board members. Board appointments were based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. The Company was committed to equality of opportunity in all aspects of its business and endeavoured to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives. During the period under review, the Board resolved to adopt the board diversity policy on 1 January 2019 to comply with the requirement of the Revised CG Code and the Revised Listing rules to be effective on 1 January 2019.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 31 December 2018

	<u>NOTES</u>	Year ended 30 June <u>2018</u> RMB'000	Six months ended 31 December <u>2018</u> RMB'000
Other income and other expenses	4	17,983	5,117
Depreciation		(108)	(154)
General and administrative expenses		(34,404)	(16,658)
Finance costs		(41)	(684)
Share of results of joint ventures	5	<u>724,433</u>	<u>340,188</u>
Profit before tax		707,863	327,809
Income tax expense	6	<u>(41,835)</u>	<u>(19,650)</u>
Profit for the year/period	7	<u>666,028</u>	<u>308,159</u>
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value gain on investment in equity instrument at fair value through other comprehensive income, net of tax		-	417
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss) gain arising on translation of foreign operations		<u>(7,281)</u>	<u>149</u>
Total comprehensive income for the year/period		<u>658,747</u>	<u>308,725</u>
Profit for the year/period attributable to:			
Owners of the Company		656,197	304,046
Non-controlling interests		<u>9,831</u>	<u>4,113</u>
		<u>666,028</u>	<u>308,159</u>
Total comprehensive income attributable to:			
Owners of the Company		648,916	304,612
Non-controlling interests		<u>9,831</u>	<u>4,113</u>
		<u>658,747</u>	<u>308,725</u>
		RMB cents	RMB cents
Earnings per share	8		
Basic		<u>21.29</u>	<u>9.87</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<u>NOTE</u>	30 June 2018 RMB'000	31 December 2018 RMB'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Interests in joint ventures		4,851,836	4,797,525
Equity instrument at fair value through other comprehensive income	10	-	11,100
Investment	10	4,785	-
Property and equipment		84	1,291
		<u>4,856,705</u>	<u>4,809,916</u>
<b>Current Assets</b>			
Deposits and prepayments		1,569	678
Dividend and other receivables		75,849	14
Bank balances and cash		691,461	140,087
		<u>768,879</u>	<u>140,779</u>
<b>Total Assets</b>		<u>5,625,584</u>	<u>4,950,695</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		270,603	270,603
Share premium and reserves		4,877,469	4,568,631
Equity attributable to owners of the Company		5,148,072	4,839,234
Non-controlling interests		27,219	30,233
<b>Total Equity</b>		<u>5,175,291</u>	<u>4,869,467</u>
<b>Non-current Liability</b>			
Deferred tax liability		69,310	69,888
<b>Current Liabilities</b>			
Payables and accruals		10,027	11,340
Dividend payable		370,956	-
		<u>380,983</u>	<u>11,340</u>
<b>Total Liabilities</b>		<u>450,293</u>	<u>81,228</u>
<b>Total Equity and Liabilities</b>		<u>5,625,584</u>	<u>4,950,695</u>
<b>Cash and cash equivalents</b>		<u>691,461</u>	<u>140,087</u>

**1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

During the current financial period, the reporting period end date of the Group was changed from 30 June to 31 December because the directors of the Company (the "Directors") determined to bring the annual reporting period end date of the Group in line with that of the Company's joint ventures incorporated in the PRC and the ultimate holding company. Accordingly, the consolidated financial statements for the current period cover the six month period ended 31 December 2018. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve month period from 1 July 2017 to 30 June 2018 and therefore may not be comparable with amounts shown for the current period.

**2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")**

*New and amendments to IFRSs that are mandatorily effective for the current year*

The Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board for the first time in the current period:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 28 (Amendments)	As part of the Annual Improvements to IFRSs 2014 - 2016 Cycle
IAS 40 (Amendments)	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current period and prior year and/or on the disclosures set out in these consolidated financial statements.

**IFRS 9 "Financial Instruments" and the related amendments**

In the current period, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

*Summary of effects arising from initial application of IFRS 9*

The table below illustrates the classification of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 July 2018.

	<u>Note</u>	<u>Available- for-sale</u> RMB'000	<u>Equity instrument at FVTOCI</u> RMB'000	<u>Deferred tax liability</u> RMB'000	<u>Investment revaluation reserve</u> RMB'000
<b>Closing balance at 30 June 2018</b>					
- IAS 39		4,785	-	-	-
<b>Effect arising from initial application of IFRS 9:</b>					
<b>Reclassification</b>					
From available-for-sale	(a)	(4,785)	4,785	-	-
<b>Remeasurement</b>					
From cost less impairment to fair value	(a)	-	5,815	959	4,856
<b>Opening balance at 1 July 2018</b>		-	10,600	959	4,856

(a) *Available-for-sale investment*

From available-for-sale equity investment to equity instrument at fair value through other comprehensive income ("FVTOCI").

The Group elected to present in other comprehensive income for the fair value changes of all its equity investment previously classified as available-for-sale. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB4,785,000 was reclassified from available-for-sale investment to equity instrument at FVTOCI, of which the entire amount related to unquoted equity investment previously measured at cost less impairment under IAS 39. The fair value gain net of tax of RMB4,856,000 relating to that unquoted equity investment previously carried at cost less impairment was adjusted to equity instrument at FVTOCI, deferred tax liability and investment revaluation reserve as at 1 July 2018.

*New and amendments to IFRSs in issue but not yet effective*

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases <sup>1</sup>
IFRS 17	Insurance Contracts <sup>3</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>1</sup>
IFRS 3 (Amendments)	Definition of a Business <sup>4</sup>
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation <sup>1</sup>
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
IAS 1 and IAS 8 (Amendments)	Definition of Material <sup>5</sup>
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement <sup>1</sup>
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
IFRSs (Amendments)	Annual Improvements to IFRS Standards 2015 - 2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020

The Directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. SEGMENT INFORMATION

The Group's reportable and operating segments are determined based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Information reported to the chief operating decision maker, including segment revenue, the Group's share of joint ventures' earnings before interest, tax, depreciation and amortisation before net exchange gain/loss ("EBITDA"), the Group's share of joint ventures' depreciation and amortisation including amortisation of additional cost of investments in joint ventures ("depreciation and amortisation"), the Group's share of joint ventures' interest and tax before tax on exchange gain/loss and including withholding tax on earnings distributed by a joint venture ("interest and tax"), and segment results, is more specifically focused on individual toll expressways projects jointly operated and managed by the Group and the relevant joint venture partner. Accordingly, the Group's reporting and operating segments under IFRS 8 "Operating Segments" are therefore as follows:

- Guangzhou-Shenzhen Superhighway ("GS Superhighway")
- Western Delta Route

Information regarding the above segments is reported below.

#### Segment revenue and results

	Year ended 30 June 2018				Six months ended 31 December 2018					
	Segment revenue RMB'000	EBITDA RMB'000	Depreciation and amortisation RMB'000	Interest and tax RMB'000	Segment results RMB'000	Segment revenue RMB'000	EBITDA RMB'000	Depreciation and amortisation RMB'000	Interest and tax RMB'000	Segment results RMB'000
GS Superhighway	1,498,636	1,308,583	(462,525)	(324,885)	521,173	742,973	663,212	(232,267)	(164,147)	266,798
Western Delta Route	663,013	580,436	(229,783)	(212,711)	137,942	377,122	320,004	(126,133)	(105,704)	88,167
Total	<u>2,161,649</u>	<u>1,889,019</u>	<u>(692,308)</u>	<u>(537,596)</u>	659,115	<u>1,120,095</u>	<u>983,216</u>	<u>(358,400)</u>	<u>(269,851)</u>	<u>354,965</u>
Corporate interest income from bank deposits					18,504					7,128
Other income					868					815
Corporate general and administrative expenses and depreciation					(34,512)					(16,812)
Corporate finance costs					(41)					(684)
Corporate income tax expense					(60)					(60)
Net exchange gain (loss) (net of related income tax) (Note)					22,154					(37,193)
Profit for the year/period					666,028					308,159
Profit for the year/period attributable to non-controlling interests					(9,831)					(4,113)
Profit for the year/period attributable to owners of the Company					<u>656,197</u>					<u>304,046</u>

Note: Net exchange gain (loss) (net of related income tax) is composed of the Group's share of the exchange loss (net of related income tax) of a joint venture of RMB34,367,000 (year ended 30 June 2018: net exchange gain (net of related income tax) of RMB23,543,000) and the net exchange loss of the Group of RMB2,826,000 (year ended 30 June 2018: RMB1,389,000).

The segment revenue represents the Group's share of joint ventures' toll revenue received and receivable (net of value-added tax) from the operations of toll expressways in the PRC based on the profit-sharing ratios specified in the relevant joint venture agreements. All of the segment revenue reported above is earned from external customers.

The segment results represent the (i) Group's share of joint ventures' results from the operations of toll expressways in the PRC before net exchange gain/loss (net of related income tax) based on the profit-sharing ratios specified in the relevant joint venture agreements, (ii) net of the withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures; and (iii) amortisation of additional cost of investments in joint ventures. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The total segment results can be reconciled to the share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 30 June <u>2018</u> RMB'000	<b>Six months ended 31 December <u>2018</u> RMB'000</b>
Total segment results	659,115	<b>354,965</b>
Add:		
Net exchange gain (loss) (net of related income tax)	23,543	<b>(34,367)</b>
Withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures	<u>41,775</u>	<u><b>19,590</b></u>
Share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income	<u>724,433</u>	<u><b>340,188</b></u>

### Other segment information

The below other segment information, included in the measure of segment profit or loss, represents the Group's share of interest income of the joint ventures. Such amount relating to the joint ventures are eliminated under equity method of accounting to reconcile from "Segment total" to "Consolidated total".

	GS <u>Superhighway</u> RMB'000	Western <u>Delta Route</u> RMB'000	Segment <u>total</u> RMB'000	<u>Elimination</u> RMB'000	<u>Unallocated</u> RMB'000	Consolidated <u>total</u> RMB'000
Year ended 30 June 2018	<u>4,036</u>	<u>769</u>	<u>4,805</u>	<u>(4,805)</u>	<u>18,504</u>	<u>18,504</u>
<b>Six months ended 31 December 2018</b>	<u><b>3,247</b></u>	<u><b>502</b></u>	<u><b>3,749</b></u>	<u><b>(3,749)</b></u>	<u><b>7,128</b></u>	<u><b>7,128</b></u>



## Geographical information

The operations of the Group's joint ventures are located in the PRC. All of the joint ventures' revenue from external customers was generated from the services provided in the PRC and the location of the non-current assets excluding interests in joint ventures and investment amounting to RMB1,291,000 (30 June 2018: RMB84,000) are in Hong Kong.

## Segment assets and liabilities

Segment assets and liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to chief operating decision maker for the purpose of resource allocation and performance assessment.

## 4. OTHER INCOME AND OTHER EXPENSES

	Year ended 30 June <u>2018</u> RMB'000	Six months ended 31 December <u>2018</u> RMB'000
Interest income from bank deposits	18,504	7,128
Net exchange loss	(1,389)	(2,826)
Dividend income from investment	600	600
Gain on disposal of property and equipment	128	-
Others	140	215
	<u>17,983</u>	<u>5,117</u>

## 5. SHARE OF RESULTS OF JOINT VENTURES

	Year ended 30 June <u>2018</u> RMB'000	Six months ended 31 December <u>2018</u> RMB'000
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group and amortisation of additional cost of investments in joint ventures	816,975	<b>386,942</b>
Amortisation of additional cost of investments in joint ventures	(92,542)	<b>(46,754)</b>
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(47,912)	<b>(25,452)</b>
Imputed interest income recognised by the Group on interest-free registered capital contributions made by the Group	<u>47,912</u>	<u>25,452</u>
	<u>724,433</u>	<u>340,188</u>

## 6. INCOME TAX EXPENSE

	Year ended 30 June <u>2018</u> RMB'000	Six months ended 31 December <u>2018</u> RMB'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")	52,740	<b>20,114</b>
Deferred tax	<u>(10,905)</u>	<b>(464)</b>
	<u>41,835</u>	<u>19,650</u>

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

The EIT charge of the Group for the six months ended 31 December 2018 included an amount of RMB20,054,000 (year ended 30 June 2018: RMB52,680,000) representing the 5% withholding tax imposed on dividends declared during the year/period by a joint venture of the Group of which the corresponding amount had already been provided for deferred tax in prior years in respect of undistributed earnings of a joint venture.

The income tax expense for the year/period can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 30 June 2018 RMB'000	<b>Six months ended 31 December 2018 RMB'000</b>
Profit before tax	<u>707,863</u>	<u>327,809</u>
Tax at normal PRC income tax rate of 25% (year ended 30 June 2018: 25%)	176,966	<b>81,952</b>
Effect of different tax rates on income tax expense	(90)	<b>(90)</b>
Tax effect of income not taxable for tax purposes	(4,693)	<b>(1,835)</b>
Tax effect of expenses not deductible for tax purposes	8,985	<b>5,080</b>
Tax effect of share of results of joint ventures	(181,108)	<b>(85,047)</b>
Withholding tax on earnings distributed by a joint venture	<u>41,775</u>	<u>19,590</u>
Income tax expense	<u>41,835</u>	<u>19,650</u>

## 7. PROFIT FOR THE YEAR/PERIOD

	Year ended 30 June 2018 RMB'000	<b>Six months ended 31 December 2018 RMB'000</b>
Profit for the year/period has been arrived at after charging:		
Auditor's remuneration	1,383	<b>1,141</b>
Directors' emoluments	10,193	<b>2,863</b>
Other staff costs	<u>12,625</u>	<u>7,073</u>
Total staff costs	<u>22,818</u>	<u>9,936</u>
Depreciation of property and equipment	108	<b>154</b>
Finance costs (Note)	<u>41</u>	<u>684</u>

Note: The amount represents the bank charges and bank loan interest for the year/period.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 30 June <u>2018</u> RMB'000	Six months ended <b>31 December</b> <b><u>2018</u></b> RMB'000
Earnings for the purpose of basic earnings per share	<u>656,197</u>	<u><b>304,046</b></u>
	<u>Number of shares</u>	
	Year ended 30 June <u>2018</u>	Six months ended <b>31 December</b> <b><u>2018</u></b>
Number of ordinary shares for the purpose of basic earnings per share	<u>3,081,690,283</u>	<u><b>3,081,690,283</b></u>

No diluted earnings per share have been presented as there was no potential ordinary shares in issue during the year/period.

## 9. DIVIDENDS

	Year ended 30 June <u>2018</u> RMB'000	Six months ended <b>31 December</b> <b><u>2018</u></b> <b>RMB'000</b>
Dividends recognised as a distribution during the year/period:		
Interim dividend for the year ended 30 June 2018 of RMB11.6 cents (equivalent to HK14.24028 cents) per share	356,796	-
Final dividend for the year ended 30 June 2018 paid of RMB9.7 cents (equivalent to HK11.114551 cents) (30 June 2018: for the year ended 30 June 2017 paid of RMB11.6 cents (equivalent to HK13.58986 cents)) per share	356,196	<b>304,445</b>
Special final dividend for the year ended 30 June 2018 paid of RMB10 cents (equivalent to HK11.4583 cents) (30 June 2018: for the year ended 30 June 2017 paid of RMB10 cents (equivalent to HK11.71540 cents)) per share	<u>307,066</u>	<u><b>313,861</b></u>
	<u><u>1,020,058</u></u>	<u><u><b>618,306</b></u></u>
Proposed dividends:		
Final dividend for the six months ended 31 December 2018 proposed of RMB9.9 cents (equivalent to HK11.615472 cents) (30 June 2018: for the year ended 30 June 2018 of RMB9.7 cents (equivalent to HK11.114551 cents)) per share	298,924	<b>305,087</b>
Special final dividend for the year ended 30 June 2018 of RMB10 cents (equivalent to HK11.4583 cents) per share	<u>308,169</u>	<u>-</u>
	<u><u>607,093</u></u>	<u><u><b>305,087</b></u></u>

A final dividend in respect of the six months ended 31 December 2018 of RMB9.9 cents (equivalent to HK11.615472 cents) per share is proposed by the Board. The dividend is subject to approval by shareholders at the forthcoming annual general meeting and have not been included as liabilities in these consolidated financial statements. The proposed final dividend is calculated based on the total number of issued shares at the date of approval of these consolidated financial statements.

**10. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/INVESTMENT**

The investment represents interest in unlisted limited company established in the PRC. As at 30 June 2018, it was classified as available-for-sale financial asset and measured at cost less impairment at the end of the reporting period because the Directors are of the opinion that the fair values cannot be measured reliably.

At the date of initial application of IFRS 9, RMB4,785,000 was reclassified from available-for-sale investment to equity instrument at FVTOCI. The Directors have elected to designate the investment in equity investment as at FVTOCI as they believe that the investment is not held for trading and not expected to be sold in the foreseeable future. The fair value gain net of tax of RMB4,856,000 relating to this unlisted equity investment previously carried at cost less impairment was adjusted to equity instrument at FVTOCI, deferred tax liability and investment revaluation reserve as at 1 July 2018.

## APPENDIX - CONSOLIDATED FINANCIAL INFORMATION

Subsequent to the Change of Financial Year End Date, the Group's new financial year will cover the period of twelve months from 1 January to 31 December. For the benefit of better understanding on the Group's operating performance for the twelve months ended 31 December after adoption of the new financial year end date, the Group has also presented the unaudited financial results for the period of twelve months ended 31 December 2018, while relevant comparative figures cover the period of twelve months ended 31 December 2017.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS (PREPARED UNDER EQUITY METHOD)

For the Twelve Months Ended 31 December 2018

(FOR INFORMATION PURPOSE ONLY)

	<u>2017</u> RMB'000	<u>2018</u> RMB'000
Other income and other expenses (Note i)	39,727	<b>(1,063)</b>
Depreciation	(163)	<b>(190)</b>
General and administrative expenses	(41,204)	<b>(32,261)</b>
Finance costs	(18)	<b>(714)</b>
Share of results of joint ventures	<u>770,588</u>	<u><b>683,533</b></u>
Profit before tax	768,930	<b>649,305</b>
Income tax expense (Note ii)	<u>(44,992)</u>	<u><b>(39,332)</b></u>
Profit for the year	<u>723,938</u>	<u><b>609,973</b></u>
Profit for the year attributable to:		
Owners of the Company	714,066	<b>601,391</b>
Non-controlling interests	<u>9,872</u>	<u><b>8,582</b></u>
	<u>723,938</u>	<u><b>609,973</b></u>

Note:

(i) OTHER INCOME AND OTHER EXPENSES

	<u>2017</u> RMB'000	<u>2018</u> RMB'000
Interest income from bank deposits	20,253	<b>15,009</b>
Net exchange gain (loss)	18,606	<b>(16,887)</b>
Dividend income from investment/equity instrument	600	<b>600</b>
Gain on disposal of property and equipment	128	-
Others	<u>140</u>	<u><b>215</b></u>
	<u>39,727</u>	<u><b>(1,063)</b></u>

(ii) INCOME TAX EXPENSE

	<u>2017</u> RMB'000	<u>2018</u> RMB'000
The tax charge comprises:		
PRC Enterprise Income Tax	44,495	<b>40,167</b>
Deferred tax	<u>497</u>	<u><b>(835)</b></u>
	<u>44,992</u>	<u><b>39,332</b></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**(PREPARED UNDER PROPORTIONATE CONSOLIDATION METHOD)**

For the Twelve Months Ended 31 December 2018

(FOR INFORMATION PURPOSE ONLY)

	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
	RMB'000	RMB'000	HK\$'000	HK\$'000
Toll revenue	2,187,861	<b>2,160,208</b>	2,532,954	<b>2,551,518</b>
Revenue on construction	60,393	<b>24,388</b>	72,658	<b>27,174</b>
Turnover	2,248,254	<b>2,184,596</b>	2,605,612	<b>2,578,692</b>
Other income and other expense (Note i)	197,259	<b>68,585</b>	229,013	<b>81,495</b>
Construction costs	(60,393)	<b>(24,388)</b>	(72,658)	<b>(27,174)</b>
Provision for resurfacing charges	(40,382)	<b>(19,463)</b>	(46,790)	<b>(39,391)</b>
Toll expressway operation expenses	(244,189)	<b>(259,735)</b>	(283,408)	<b>(289,187)</b>
General and administrative expenses	(103,280)	<b>(97,228)</b>	(119,644)	<b>(113,150)</b>
Depreciation and amortisation charges	(690,188)	<b>(696,969)</b>	(799,417)	<b>(822,996)</b>
Finance costs (Note ii)	(258,180)	<b>(248,966)</b>	(298,566)	<b>(294,385)</b>
Profit before tax	1,048,901	<b>906,432</b>	1,214,142	<b>1,073,904</b>
Income tax expense	(324,963)	<b>(296,459)</b>	(376,608)	<b>(351,502)</b>
Profit for the year	<u>723,938</u>	<b><u>609,973</u></b>	<u>837,534</u>	<b><u>722,402</u></b>
Profit for the year attributable to:				
Owners of the Company	714,066	<b>601,391</b>	826,072	<b>712,241</b>
Non-controlling interests	9,872	<b>8,582</b>	11,462	<b>10,161</b>
	<u>723,938</u>	<b><u>609,973</u></b>	<u>837,534</u>	<b><u>722,402</u></b>

Note:

(i) OTHER INCOME AND OTHER EXPENSE

	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
	RMB'000	RMB'000	HK\$'000	HK\$'000
Interest income from bank deposits	24,345	<b>20,956</b>	28,049	<b>24,836</b>
Imputed interest income on interest-free registered capital contributions made by the Group to a joint venture	23,253	<b>24,704</b>	26,916	<b>29,185</b>
Net exchange gain (loss)	99,005	<b>(77,133)</b>	115,573	<b>(88,599)</b>
Rental income	24,036	<b>18,396</b>	27,742	<b>21,906</b>
Others	26,620	<b>81,662</b>	30,733	<b>94,167</b>
	<u>197,259</u>	<b><u>68,585</u></b>	<u>229,013</u>	<b><u>81,495</u></b>

(ii) FINANCE COSTS

	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
	RMB'000	RMB'000	HK\$'000	HK\$'000
Interest on bank loans	234,231	<b>223,476</b>	270,844	<b>264,273</b>
Imputed interest on:				
Interest-free registered capital contributions made by a joint venture partner	23,253	<b>24,704</b>	26,916	<b>29,185</b>
Others	550	<b>570</b>	637	<b>672</b>
	<u>258,034</u>	<b><u>248,750</u></b>	<u>298,397</u>	<b><u>294,130</u></b>
Other financial expenses	146	<b>216</b>	169	<b>255</b>
	<u>258,180</u>	<b><u>248,966</u></b>	<u>298,566</u>	<b><u>294,385</u></b>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(PREPARED UNDER PROPORTIONATE CONSOLIDATION METHOD)**

As at 31 December 2018

(FOR INFORMATION PURPOSE ONLY)

	30 June 2018 RMB'000	31 December 2018 RMB'000	30 June 2018 HK\$'000	31 December 2018 HK\$'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property and equipment	371,923	<b>374,077</b>	439,985	<b>426,073</b>
Concession intangible assets	10,324,590	<b>10,020,474</b>	12,213,990	<b>11,413,320</b>
Balance with a joint venture	417,328	<b>430,054</b>	493,698	<b>489,831</b>
Equity instrument at fair value through other comprehensive income	-	<b>11,100</b>	-	<b>12,642</b>
Investment	4,785	-	5,661	-
	<u>11,118,626</u>	<u><b>10,835,705</b></u>	<u>13,153,334</u>	<u><b>12,341,866</b></u>
<b>Current Assets</b>				
Inventories	731	<b>863</b>	865	<b>983</b>
Deposits and prepayments	2,210	<b>1,697</b>	2,614	<b>1,933</b>
Interest and other receivables	41,994	<b>36,239</b>	49,679	<b>41,276</b>
Other receivable from a joint venture	2,700	-	3,194	-
Pledged bank balances and deposits of joint ventures	253,563	<b>273,235</b>	299,965	<b>311,215</b>
Bank balances and cash				
- The Group	691,461	<b>140,087</b>	817,998	<b>159,559</b>
- Joint ventures	9,451	<b>5,392</b>	11,181	<b>6,141</b>
	<u>1,002,110</u>	<u><b>457,513</b></u>	<u>1,185,496</u>	<u><b>521,107</b></u>
<b>Total Assets</b>	<u>12,120,736</u>	<u><b>11,293,218</b></u>	<u>14,338,830</u>	<u><b>12,862,973</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	270,603	<b>270,603</b>	308,169	<b>308,169</b>
Share premium and reserves	4,877,469	<b>4,568,631</b>	5,782,001	<b>5,203,717</b>
Equity attributable to owners of the Company	5,148,072	<b>4,839,234</b>	6,090,170	<b>5,511,886</b>
Non-controlling interests	27,219	<b>30,234</b>	32,199	<b>34,436</b>
<b>Total Equity</b>	<u>5,175,291</u>	<u><b>4,869,468</b></u>	<u>6,122,369</u>	<u><b>5,546,322</b></u>
<b>Non-current Liabilities</b>				
Bank and other loans of joint ventures	5,092,566	<b>4,824,040</b>	6,024,505	<b>5,494,582</b>
Balance with a joint venture partner	417,277	<b>430,003</b>	493,639	<b>489,774</b>
Resurfacing obligations	207,590	<b>220,243</b>	245,579	<b>250,857</b>
Deferred tax liabilities	259,820	<b>276,413</b>	307,367	<b>314,833</b>
Other non-current liabilities	38,175	<b>37,078</b>	45,161	<b>42,232</b>
	<u>6,015,428</u>	<u><b>5,787,777</b></u>	<u>7,116,251</u>	<u><b>6,592,278</b></u>
<b>Current Liabilities</b>				
Provision, other payables, accruals and deposits received	343,097	<b>406,399</b>	405,884	<b>462,888</b>
Dividend payable	370,956	-	438,841	-
Bank loans of joint ventures	166,333	<b>174,877</b>	196,771	<b>199,185</b>
Other interest payable	6,211	<b>6,733</b>	7,347	<b>7,669</b>
Tax liabilities	43,420	<b>47,964</b>	51,367	<b>54,631</b>
	<u>930,017</u>	<u><b>635,973</b></u>	<u>1,100,210</u>	<u><b>724,373</b></u>
<b>Total Liabilities</b>	<u>6,945,445</u>	<u><b>6,423,750</b></u>	<u>8,216,461</u>	<u><b>7,316,651</b></u>
<b>Total Equity and Liabilities</b>	<u>12,120,736</u>	<u><b>11,293,218</b></u>	<u>14,338,830</u>	<u><b>12,862,973</b></u>

## GLOSSARY

“2007/08”	the year ended 30 June 2008
“2009/10”	the year ended 30 June 2010
“2010/11”	the year ended 30 June 2011
“2011/12”	the year ended 30 June 2012
“2012/13”	the year ended 30 June 2013
“2013/14”	the year ended 30 June 2014
“2014/15”	the year ended 30 June 2015
“2015/16”	the year ended 30 June 2016
“2016/17”	the year ended 30 June 2017
“2017”	the twelve months ended 31 December 2017
“2017/18”	the year ended 30 June 2018
“2018”	the twelve months ended 31 December 2018
“2019 Annual General Meeting”	the annual general meeting of the Company to be held on Tuesday, 30 April 2019
“Bay Area”	Guangdong-Hong Kong-Macao Greater Bay Area, a national development strategy of the PRC
“Board”	the board of Directors of the Company
“CG Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Coastal Expressway”	Guangzhou-Shenzhen Coastal Expressway
“Company”	Hopewell Highway Infrastructure Limited
“Director(s)”	director(s) of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortisation (before net exchange gain/loss)
“EIT”	enterprise income tax
“full-length equivalent traffic”	the total distance travelled by all vehicles on the expressway divided by the full length of the expressway
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries
“GS Superhighway”	Guangzhou-Shenzhen Superhighway
“GS Superhighway JV”	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture established for the GS Superhighway
“Guangzhou-Shenzhen Science and Technology Innovation Corridor” or “Corridor”	a major development strategy of Guangdong Province covers three cities including Guangzhou, Shenzhen and Dongguan
“Hengqin New Zone”	Hengqin State-level Strategic New Zone
“HK\$”, “HKD” or “HK Dollar(s)”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong-Shenzhen Innovation and Technology Park”	an innovation and technology research project on the 87-hectare Lok Ma Chau Loop, jointly developed by Hong Kong and Shenzhen
“HZM Bridge”	the Hong Kong-Zhuhai-Macao Bridge
“JV(s)”	joint venture(s)
“km”	kilometre(s)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macao” or “Macao SAR”	the Macao Special Administrative Region of the PRC
“Mainland China”	the PRC, excluding Hong Kong and Macao
“net toll revenue”	toll revenue after related tax
“PRC” or “China”	the People’s Republic of China
“PRD”	Pearl River Delta
“RMB”	Renminbi, the lawful currency of the PRC
“Second half of 2018”	the six months ended 31 December 2018
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“SIHC”	Shenzhen Investment Holdings Co., Ltd* (深圳市投資控股有限公司), incorporated in the PRC with limited liability, the ultimate holding company of the Company
“SIICHIC”	Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (深圳投控國際資本控股基建有限公司), incorporated in the British Virgin Islands with limited liability
“Silicon Valley”	Santa Clara Valley in California of the United States
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“toll revenue”	toll revenue including tax
“United States”	the United States of America
“USD” or “US Dollar(s)”	United States Dollars, the lawful currency of the United States
“West Route JV”	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture established for the Western Delta Route
“Western Coastal Expressway Branch Line”	a project not owned by the Company but by Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) (the joint venture partner for Western Delta Route) and Guangdong Communication Enterprise Investment Company Limited* (廣東交通實業投資有限公司)
“Western Delta Route”	the route for a network of toll expressways in the western PRD, linking Guangzhou to Zhuhai
“YoY”	year-on-year

*As at the date of this announcement, the Board comprises three Executive Directors namely, Mr. Tianliang ZHANG\* (General Manager), Mr. Cheng WU\* (Deputy General Manager) and Mr. Ji LIU\* (Deputy General Manager and secretary to the Board); three Non-executive Directors namely, Mr. Zhengyu LIU\* (Chairman), Mr. Qingyong GU\* and Mr. Junye CAI\*; and three Independent Non-executive Directors namely, Mr. Brian David Man Bun LI, Mr. Yu Lung CHING and Mr. Tony Chung Nin KAN.*

\* For identification purpose only