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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)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

#### Highlights

##### 1H FY16

- EBITDA of all toll expressways grew 8% year-on-year given healthy operation
- Net profit attributable to owners of the Company dropped 4% year-on-year to RMB251 million representing RMB8.13 cents per share, mainly because the increase in net profit of toll expressways was offset by net exchange loss and drop in net interest income at corporate level
- An interim dividend of RMB8.4 cents (equivalent to HK9.9737 cents) per share
- GS Superhighway's growth momentum continued
- Western Delta Route ("WDR") first turned profitable in July 2015 with net profit of RMB19 million (HHI's share) in 1H FY16, compared to a net loss of RMB23 million in 1H FY15
- PBOC lending rate cuts will lower WDR's finance cost by approximately RMB39 million, RMB58 million and RMB61 million in FY16, FY17 and FY18 respectively (HHI's share)
- RMB60 million of net exchange loss on RMB devaluation (HHI's share)
- Core operations improved. HHI's FY16 net profit could be flat year-on-year due to (i) RMB fluctuation and (ii) Shenzhen toll-free measures for Nanguang Expressway and Longda Expressway (Shenzhen section) effective 7 February 2016
- WDR prepaid all bank loan principal due in 2016 before 31 December 2015
- Completion of (i) Phase II West's new financial plan, (ii) GS Superhighway's loan rescheduling and (iii) Phase I West's loan rescheduling strengthened JV companies' financial positions
- No need for HHI to inject further capital into West Route JV

\* For identification purpose only

**1H FY16 (continued)**

- Strong financial position and solid bases for strong dividend in the future with (i) HHI corporate level net cash of RMB571 million as at 31 December 2015 and (ii) steady dividends from the GS Superhighway JV of over RMB600 million per year
- Traffic disclosure by using full-length equivalent traffic to better reflect road usage, which is in line with industry practice

**Upcoming: 2H FY16 & Beyond**

- WDR is financially self-sufficient until at least 2020
- Nanguang Expressway and Longda Expressway (Shenzhen section) became toll free effective 7 February 2016. Impact on the GS Superhighway yet to be assessed
- HHI's net profit will drop by approximately RMB10 million for every 1% RMB devaluation

## GROUP RESULTS

The Board is pleased to announce that the Group's unaudited interim results for the six months ended 31 December 2015 presented in RMB (million) were as follows:

<u>(HHU's share)</u>	Six months ended 31 December									
	2014					2015				
	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results
<b>RMB million</b>										
Project contributions:										
GS Superhighway <i>Note 1</i>	739	603	(199)	(134)	270	<b>757</b>	<b>638</b>	<b>(210)</b>	<b>(138)</b>	<b>290</b>
Western Delta Route	249	197	(78)	(142)	(23)	<b>266</b>	<b>222</b>	<b>(86)</b>	<b>(117)</b>	<b>19</b>
- Phase I West	48	36	(9)	(8)	19	<b>52</b>	<b>40</b>	<b>(11)</b>	<b>(7)</b>	<b>22</b>
- Phase II West	152	127	(47)	(72)	8	<b>158</b>	<b>136</b>	<b>(49)</b>	<b>(54)</b>	<b>33</b>
- Phase III West	49	34	(22)	(62)	(50)	<b>56</b>	<b>46</b>	<b>(26)</b>	<b>(56)</b>	<b>(36)</b>
<b>Total</b>	<b>988</b>	<b>800</b>	<b>(277)</b>	<b>(276)</b>	<b>247</b>	<b>1,023</b>	<b>860</b>	<b>(296)</b>	<b>(255)</b>	<b>309</b>
Year-on-year change						<b>+4%</b>	<b>+8%</b>	<b>+7%</b>	<b>-8%</b>	<b>+25%</b>
Corporate results:										
Bank deposits interest income					17					<b>17</b>
Interest income from loans made by the Group to a JV company					32					<b>9</b>
Other income					1					<b>1</b>
General and administrative expenses and depreciation					(18)					<b>(17)</b>
Finance costs					(14)					<b>(3)</b>
Income tax expenses					(5)					<b>(1)</b>
<b>Sub-total</b>					<b>13</b>					<b>6</b>
<b>Profit before net exchange gain/(loss) (after deduction of related income tax)</b>					<b>260</b>					<b>315</b>
Year-on-year change										<b>+21%</b>
Net exchange gain/ (loss) (after deduction of related income tax)					6					<b>(60)</b>
<b>Profit for the period</b>					<b>266</b>					<b>255</b>
Profit attributable to non-controlling interests					(5)					<b>(4)</b>
<b>Profit attributable to owners of the Company</b>					<b>261</b>					<b>251</b>
Year-on-year change										<b>-4%</b>

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

The Group's share of the aggregate net toll revenues of its expressway projects increased by 4% from RMB988 million to RMB1,023 million during the period under review. The GS Superhighway's net toll revenue increased by 2% because the diversion impact from the full opening of the Coastal Expressway on 28 December 2013 has been fully realized, with toll revenue resuming growth since the second half of FY15. The Western Delta Route continued to record healthy toll revenue growth, with a 7% increase in net toll revenue to RMB266 million. However, the toll revenue of Phase II West only grew by 4% from RMB152 million to RMB158 million. This was mainly due to the upgrading work of Shunde to Zhongshan section of National Highway 105, which runs parallel to Ronggui interchange to Zhongshanxi interchange of Phase II West, was completed in October 2014. The traffic on National Highway 105 became smoother and diverted traffic away from Phase II West, therefore the traffic on Phase II West grew at a slower pace. The GS Superhighway, Phase I West, Phase II West and Phase III West contributed 74% (RMB757 million), 5% (RMB52 million), 16% (RMB158 million) and 5% (RMB56 million) respectively to the Group's share of aggregate net toll revenues.

The Group's share of the aggregate EBITDA of toll expressways (excluding exchange differences on the GS Superhighway JV's US Dollar and HK Dollar loans as well as the related income tax) increased by 8% from RMB800 million to RMB860 million. The increase in the GS Superhighway's EBITDA by 6% from RMB603 million to RMB638 million was mainly due to the increase in its toll revenue and delay in repair and maintenance works despite redundancy expenses of approximately RMB3 million incurred for streamlining the GS Superhighway's operations during the period under review. In addition, the rise in the Western Delta Route's toll revenue led to a 13% EBITDA growth from RMB197 million to RMB222 million. Phase III West recorded a strong EBITDA growth of 35% from RMB34 million to RMB46 million given that RMB5 million one-off expenses had been incurred for finalising its project cost during the first half of FY15.

The Group's share of depreciation and amortisation charges of the GS Superhighway JV increased by 6% from RMB199 million to RMB210 million as a result of resuming growth in its full-length equivalent traffic and additional improvement works completed. With healthy growth in full-length equivalent traffic of the Western Delta Route, its depreciation and amortisation charges also increased. Hence, the Group's share of aggregate depreciation and amortisation charges increased by 7% to RMB296 million.

Phase II West's new financial plan was completed during the period under review. The increase in registered capital in Phase II West totalling approximately RMB636 million had been completed. Together with the additional project bank loan raised by the West Route JV in October 2015, the remaining shareholder's loan advanced by the Group to the West Route JV as interim financing for Phase II West was repaid. Thus, the interest expenses of Phase II West fell.

Moreover, the series of People's Bank of China's lending rate cuts for RMB loan announced on 21 November 2014, 28 February 2015, 10 May 2015, 27 June 2015, 25 August 2015 and 23 October 2015 benefited the West Route JV by lowering its finance costs.

The EIT rate applicable for both the GS Superhighway and Phase I West is 25% since 2012 and until the expiry of their contractual operation periods. Phase II West's applicable EIT rate from 2013 to 2015 was 12.5%, and it rises to 25% from 2016 until the expiry of its contractual toll collection period. Phase III West was exempted from EIT from 2013 to 2015. Its applicable rate from 2016 to 2018 is 12.5%, and it will rise to 25% from 2019 until the expiry of its contractual toll collection period.

The increase in the GS Superhighway's net toll revenue was partly offset by the increased depreciation and amortization charges, leading to a 7% increase in its net profit to RMB290 million. Due to continuous growth in toll and traffic, as well as the PBOC lending rate cuts, the Western Delta Route first turned profitable in July 2015 and recorded a net profit of RMB19 million during the period under review, compared to a net loss of RMB23 million of the last corresponding period as shared by the Group. Net loss of Phase III West reduced from RMB50 million to RMB36 million. Overall, the aggregate net profit of the four projects (excluding exchange differences on the GS Superhighway JV's US Dollar and HK Dollar loans as well as the related income tax) increased by 25%, from RMB247 million to RMB309 million.

The Company repaid the RMB500 million corporate bank loan matured in May 2015 (a RMB1,600 million loan facility agreement signed in May 2012 of which RMB1,000 million was drawn and RMB500 million had been prepaid in June 2013), resulting in a decrease in finance costs from RMB14 million to RMB3 million during the period under review. On the other hand, following the full repayment by the West Route JV, the shareholder's loan advanced by the Group to the West Route JV as interim financing for Phase II West decreased by RMB212 million and RMB788 million during the second half of FY15 and the period under review respectively, reducing the Group's interest income. Thus, the Group's total interest income (including that on bank deposits and shareholder's loan advanced to the West Route JV) decreased from RMB49 million to RMB26 million during the period under review. Given the drop in finance costs was offset by the fall in total interest income, the net interest income at corporate level decreased from RMB35 million to RMB23 million, resulting in a 54% drop in profit to RMB6 million at the corporate level.

The Group's profit before net exchange gain or loss (after deduction of the related income tax) increased by 21%, from RMB260 million to RMB315 million during the period under review. This was mainly attributable to the increase in net toll revenue of the four expressway projects and the PBOC lending rate cuts. However, the Group's share of net exchange loss of RMB60 million on the GS Superhighway JV's US Dollar and HK Dollar loans was recorded, mainly attributable to devaluation of RMB during the period under review. Nevertheless, such US Dollar and HK Dollar loans still enjoyed interest savings compared with RMB loan which was charged at a higher borrowing rate.

## Exchange Loss and Interest Savings from US Dollar Loan

Exchange Loss				Interest Savings	
HHI Level	Exchange Loss 1HFY16	Loan Balance @31 Dec 2015	Exchange Loss %		Borrowing Rate %
GS Superhighway	USD9.2m (equivalent RMB60m)	USD215m (equivalent RMB1,398m)	4.3%	VS	USD loan (GS Superhighway) 0.9%
					RMB loan (WDR) 5.4%
					Interest Savings 4.5%

Overall, the increase in net profit of toll expressways was offset by the net exchange loss on the GS Superhighway JV's loans denominated in US Dollars and HK Dollars and drop in net interest income at corporate level. As a result, the profit attributable to owners of the Company decreased by 4% from RMB261 million to RMB251 million.

The Company believes that FY16 is a challenging year to the Group. Both the sudden devaluation in RMB exchange rate in August 2015 and the first US interest rate rise in December 2015 since 2006 will impact the GS Superhighway JV's US Dollars and HK Dollars loans. For every 1% devaluation in RMB, HHI's net profit will drop by approximately RMB10 million. However, the Company still maintains a positive outlook on the future performance of the Group, given HHI's net profit growth is supported by (i) the GS Superhighway's growth momentum continued; (ii) the Western Delta Route first turned profitable in July 2015 given healthy net toll revenue growth and PBOC lending rate cuts. EBITDA (JV level) increased to approximately RMB800 million in FY15 and it is targeted to increase by approximately RMB100 million per year until the HZM Bridge opens in 2018; (iii) the series of PBOC's lending rate cuts for RMB loan since November 2014 will benefit the West Route JV by lowering its finance costs, which will be reduced by approximately RMB40 million (HHI's share) for every 1% lending rate cut. The Group's share of interest expenses of the West Route JV is expected to be saved by approximately RMB39 million, RMB58 million and RMB61 million in FY16, FY17 and FY18 respectively; (iv) Phase II West's new financial plan was completed, reducing its debt and interest expenses; and (v) interest expenses of the West Route JV has been further lowered after utilising its surplus cash on hand to prepay bank loan principal of RMB261 million due in the second half of FY16 and the first half of FY17, amounting to RMB130 million and RMB131 million respectively (JV level), before 31 December 2015. Moreover, no further capital expenditure is needed for HHI in respect of the Western Delta Route, which is financially self-sufficient and capable to repay bank loans as scheduled until at least 2020. Strong financial position with HHI corporate level net cash of RMB571 million as at 31 December 2015 and steady dividends from the GS Superhighway JV of over RMB600 million per year (based on the dividends received from the GS Superhighway JV in the previous two financial years) provide solid bases for strong dividend.

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

### *HHI Corporate Level*

	30 June 2015	31 December 2015		30 June 2015	31 December 2015
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	574	837	HKD bank loan	237	266
The Group's shareholder's loan to JV company <sup>Note 1</sup>	788	-	Other liabilities	13	9
Other assets	32	10			
	1,394	847		250	275
			Net assets value of HHI corporate	1,144	572

### *Share of JV Companies*

#### *GS Superhighway JV (HHI's shared portion)*

	30 June 2015	31 December 2015		30 June 2015	31 December 2015
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	143	177	Bank loans		
Concession intangible assets	5,600	5,416	- USD	1,182	1,239
Property & equipment	214	240	- HKD	158	159
Other assets	78	31	Other liabilities	720	726
	6,035	5,864		2,060	2,124
			Net assets value of GS Superhighway JV	3,975	3,740

#### *West Route JV (HHI's shared portion)*

	30 June 2015	31 December 2015		30 June 2015	31 December 2015
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	130	75	Bank loans	4,028	4,136
Concession intangible assets	6,555	6,468	Shareholder's loan from the Group <sup>Note 1</sup>	394	-
Property & equipment	259	271	Other liabilities	365	285
Other assets	23	15		4,787	4,421
	6,967	6,829			
			Net assets value of West Route JV	2,180	2,408

	30 June 2015	31 December 2015		30 June 2015	31 December 2015
	RMB million	RMB million		RMB million	RMB million
			<b>Total liabilities</b>	7,097	6,820
			Equity attributable to owners of the Company	7,247	6,672
			Non-controlling interests	52	48
<b>Total Assets</b> <sup>Note 2</sup>	14,396	13,540	<b>Total Equity &amp; Liabilities</b>	14,396	13,540
			Total net asset	7,299	6,720

Note 1: The Group's shareholder's loan was made to the West Route JV for Phase II West as interim financing due to inability of the West Route JV to borrow from PRC banks for Phase II West before the official approval for its increased investment.

Note 2: Excluding elimination of the Group's proportionate share of the shareholder's loan to JV company and corresponding shareholder's loan interest receivable, and balance with JV company prepared under proportionate consolidation method.

## **DIVIDEND**

On 2 February 2016, the Board declared an interim dividend of RMB8.4 cents per share (equivalent to HK9.9737 cents per share) in respect of the financial year ending 30 June 2016 (30 June 2015: an interim dividend of RMB8.4 cents per share (equivalent to HK10.6376 cents per share)) to be paid on Tuesday, 22 March 2016 to the shareholders of the Company whose names appeared on the Register of Members of the Company at the close of business on Monday, 22 February 2016. This represents a payout ratio of 103.3% of the Group's profit attributable to owners of the Company for the six months period ended 31 December 2015. The interim dividend will be payable in cash in RMB, HK Dollars, or a combination of these currencies, at the exchange rate of RMB1:HK\$1.18735 as published by The People's Bank of China on 2 February 2016 and shareholders have been given the option of electing to receive the interim dividend in either RMB, 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 Thursday, 10 March 2016. **If no dividend election is made by a shareholder, such shareholder will receive the interim dividend in HK Dollars, unless he/she/it has previously elected to receive dividends in RMB.**



## **BUSINESS REVIEW**

During the period under review, the aggregate average daily toll revenue of the GS Superhighway and the Western Delta Route grew by 4% year-on-year to RMB11.8 million and the combined toll revenue totalled RMB2,174 million.

The GS Superhighway regained growth momentum since the second half of FY15 after the full opening of the Coastal Expressway in December 2013. During the period under review, its average daily toll revenue increased by 2% year-on-year to RMB8.8 million and average daily full-length equivalent traffic grew by 4% year-on-year to 93,000 vehicles, indicating a trend of recovery. However, Shenzhen Transport Commission announced on 30 November 2015 to purchase four toll expressways in Shenzhen which would become toll-free since 7 February 2016. Among which, Nanguang Expressway and Shenzhen section of Longda Expressway are parallel to the Taiping to Nantou section of the GS Superhighway. Its impact on the GS Superhighway is yet to be assessed.

The average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route grew steadily by 7% and 11% year-on-year to RMB3 million and 40,000 vehicles respectively, reaching historical high. Phase I West maintained steady growth while Phase II West showed a mild growth. The average daily toll revenue and average daily full-length equivalent traffic of Phase I West grew by 9% and 10% year-on-year, amounting to RMB581,000 and 49,000 vehicles respectively, while that of Phase II West were RMB1,768,000 and 52,000 vehicles, representing a growth of 4% and 9% respectively. Phase III West continued to perform healthily, its average daily toll revenue and average daily full-length equivalent traffic grew by 14% and 19% year-on-year to RMB624,000 and 22,000 vehicles respectively.

The Group's shared aggregate net toll revenue increased by 4% year-on-year to RMB1,023 million during the period under review, with the GS Superhighway and the Western Delta Route contributing 74% and 26% respectively, compared to 75% and 25% respectively during the same period in FY15. Given the continuous growth of traffic on our expressways, the Group originally targeted that the aggregate net toll revenue of FY16 would reach the historical high of RMB2,026 million recorded in FY07. In view of the possible impact from the toll free implementation of Nanguang Expressway and Shenzhen section of Longda Expressway effective 7 February 2016, the target is expected to be delayed accordingly.

Effective from the first half of FY16, the Group has unified its average daily traffic disclosure by using the full-length equivalent traffic in order to be in line with the industry practice, increase transparency to better reflect road usage and respond to market demand.

Financial Year	1H FY15	1H FY16	% Change
<b>GS Superhighway (at JV company level)</b>			
Average Daily Toll Revenue (RMB '000)	8,631	<b>8,839</b>	+2%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	90	<b>93</b>	+4%
<b>Western Delta Route (at JV company level)</b>			
Average Daily Toll Revenue (RMB '000)	2,781	<b>2,973</b>	+7%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	36	<b>40</b>	+11%
<b>Phase I West (at JV company level)</b>			
Average Daily Toll Revenue (RMB '000)	532	<b>581</b>	+9%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	45	<b>49</b>	+10%
<b>Phase II West (at JV company level)</b>			
Average Daily Toll Revenue (RMB '000)	1,702	<b>1,768</b>	+4%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	48	<b>52</b>	+9%
<b>Phase III West (at JV company level)</b>			
Average Daily Toll Revenue (RMB '000)	546	<b>624</b>	+14%
Average Daily Full-Length Equivalent Traffic* (No. of vehicles '000)	19	<b>22</b>	+19%

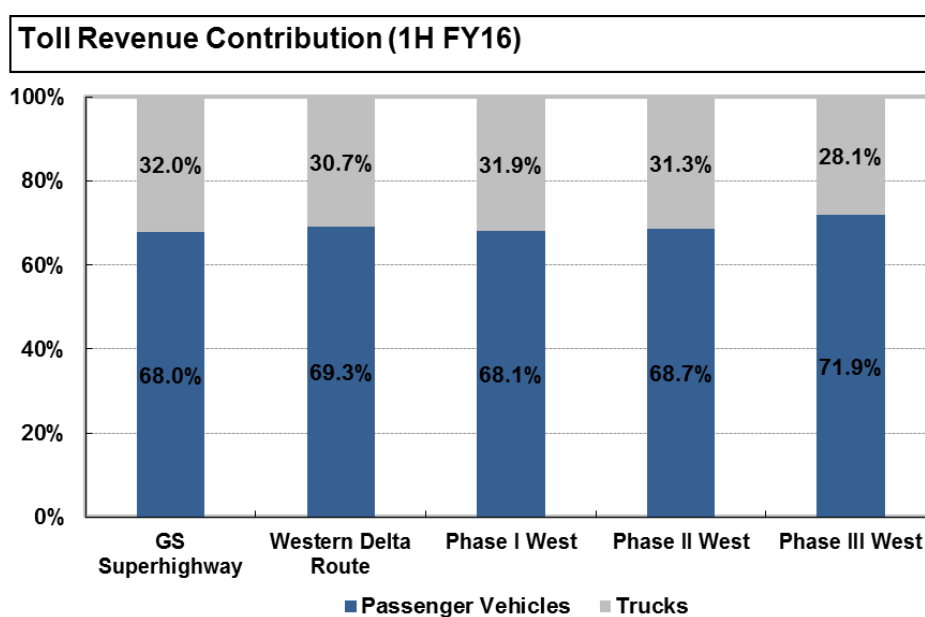
\* Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the period under review. It can better reflect road usage as it takes into account total travelling distance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

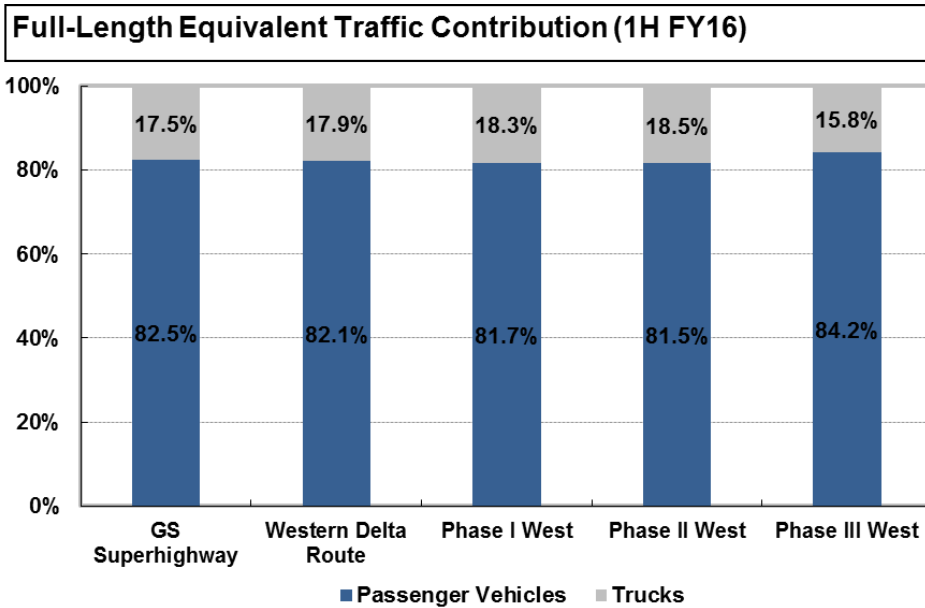
## Economic Environment

China continued to make progress on the economic restructuring. Despite facing temporary headwinds and US interest rate hike, the Central government was able to drive economic growth during the transition, with the execution of accommodative monetary policy and fiscal policy such as a series of official lending rate cuts, targeted tax reduction and easing restrictions on property market. In 2015, the national GDP of China and Guangdong grew at a moderate pace of 6.9% and 8% respectively.

From 2010 to the end of 2014, total length of expressways in Guangdong reached 6,280 km with a compound annual growth rate of 7%. On the other hand, continuous demand for road usage was reflected in a compound annual growth of registered car population at 14% during the same period, reaching a new record high of 13.3 million vehicles at the end of 2014. The growth in demand for road usage doubled the growth of expressway length. The prosperous economic development and the rising registered car population that generate sustained demand for road traffic will continue to support the growth of the Group's expressways.

China continued to hold its record as the world's largest vehicle sales market for the seventh consecutive year in 2015. Annual vehicle sales in the PRC in 2015 increased by 5% to approximately 25 million units according to the China Association of Automobile Manufacturers. This was mainly driven by the demand in passenger cars, benefiting from an implementation of purchase tax cut by half for passenger cars with engines no larger than 1.6 litres from 1 October 2015 to the end of 2016. The Company believes that the GS Superhighway and the Western Delta Route will continue to benefit from the stable sales growth of the PRC's passenger cars.





### Growth Potential of the Western Delta Route

The Western Delta Route is a 97.9-km closed expressway with a total of 6 lanes in dual directions which comprises Phase I West, Phase II West and Phase III West. It is the most direct and convenient expressway artery in the regional expressway network on the western bank of the PRD region, running from north to south through the most prosperous and populous cities namely Guangzhou, Foshan, Zhongshan and Zhuhai. It offers direct and convenient access to the Hengqin State-level Strategic New Zone, and via its connection with the forthcoming HZM Bridge, to Hong Kong. The healthy economic development of the four main cities on the western bank of the PRD region, namely Guangzhou, Foshan, Zhongshan and Zhuhai with GDP growth of 8.4% - 10% in 2015, will create solid demand for transportation along the Western Delta Route.

The Western Delta Route is located at the heart and runs along the central axis of the western bank of the PRD region. It is well connected with the Guangzhou Ring Road, Guangzhou Southern Second Ring Road, Zhongshan-Jiangmen Expressway, Western Coastal Expressway, as well as the newly opened Guangzhou-Gaoming Expressway (opened on 31 December 2015) and will link up with the forthcoming Guangzhou-Zhongshan-Jiangmen Expressway, HZM Bridge, Humen Second Bridge and Shenzhen-Zhongshan Corridor (these infrastructures will open to traffic by the end of 2016, 2018, 2018 and 2023 respectively, according to the media reports) to form a comprehensive regional expressway network. Moreover, Second Hengqin Bridge was open to traffic on 30 December 2015 and is linked with the southern end of the Western Delta Route via local road into Hengqin temporarily. By the end of 2016, an expressway linking with the Second Hengqin Bridge will be completed and this new connection will further strengthen the position of the Western Delta Route as a north-south corridor on the western bank of the PRD region, making it the only expressway artery facilitating traffic to and fro Guangzhou and Hengqin. The Company believes that good connectivity will provide continuous and stable traffic flow to the Western Delta Route.

The HZM Bridge will commence operation in 2018 according to the media. Upon its completion, cities on the western bank of the PRD region will fall into a 3-hour commuting radius from Hong Kong. The cross border passenger and freight traffic between the western bank of the PRD region and Hong Kong will be stimulated due to a more convenient land transport and shorter travelling time. The travelling time between Hong Kong and Zhuhai will be substantially shortened to approximately 30 minutes via the HZM Bridge in the future instead of spending as long as 4 hours by land or over 1 hour by sea. With reference to the opening of the Hong Kong-Shenzhen Western Corridor in 2007, the number of cross-border licenses for private cars had significantly been increased to utilise the enlarged capacity of the border crossings. It is expected that more private car cross-border licenses will be issued for the new HZM Bridge border crossing shortly after its opening. The HZM Bridge's opening will further foster the region's economic development and integration.



\* According to media

Hengqin in Zhuhai is the third State-level Strategic New Zone following Shanghai's Pudong District and Tianjin's Binhai area in China. It is also being incorporated as part of the China (Guangdong) Pilot Free Trade Zone which was established in April 2015. Hengqin is being positioned as a new growth hub focusing on the development of business services, tourism, entertainment and technological research. Numerous key development projects, including commercial landmarks, hotels and tourist attractions, will be completed in the coming few years. According to the media, the total planned project investments in Hengqin have reached approximately RMB300 billion since its establishment in 2009. During the period under review, Hengqin continued to uphold and strengthen its image as a destination for international events and travel, as well as an international tourism island. Two mega events, the second China International Circus Festival and the 2015 WTA Elite Trophy, were held in November 2015 to attract spotlights around the world. The China International Circus Festival will be held every two years and the WTA Elite Trophy will be held consecutively in the next five years. In addition, its signature project, Chimelong International Ocean Tourist Resort attracted 20 million tourists since its opening, and the construction of its phase two had started in January 2015. Moreover, Phase one of Lai Sun Group's Star and Artist Cultural Creative City, another signature project in Hengqin, targets to open in 2017 according to the media. On the other hand, newly established gaming resorts and hotels in Macau helped to promote tourism. For instance, phase two of Galaxy Macau and Studio City started business in May and October 2015 respectively, providing an addition of approximately 3,000 guest rooms. These new landmarks will provide fresh experience of entertainment and hospitality in the region, propelling a second wave of growth in Macau's tourism. Furthermore, after the implementation of 24-hour opening of border crossing for passengers and passenger cars between Macau and Hengqin since 18 December 2014, the cross border traffic flow was boosted. The average daily cross border passenger flow and vehicular traffic between Cotai and Hengqin grew robustly by 53% and 15% to 21,000 journeys and 3,000 vehicles respectively in 2015. The Western Delta Route, being the most direct and the shortest expressway from Guangzhou to Hengqin and Macau, will benefit from the increased demand for passenger and freight transportation brought along by the developments of the region.

## **National integration on Electronic Toll Collection (“ETC”) network**

### ***Integration to national ETC network***

Under the direction of Ministry of Transport, expressways in 29 provinces (except Hainan and Tibet) in the PRC formed a nationwide inter-connecting ETC network by the end of 2015. The electronic payment cards issued by different provinces can be commonly used in all ETC toll lanes in every expressway within the network. Guangdong, Henan, Guizhou and Hubei Provinces were integrated to the national ETC network on 30 June 2015.

The vehicles using ETC toll lanes increased gradually after this integration which improved the operational efficiency of the GS Superhighway and the Western Delta Route.

### ***Change of vehicle classification to national standard and change of toll-by-weight scheme to total weight basis***

In order to integrate to the national ETC network, Department of Communications and Transportation of Guangdong Province and Guangdong Development and Reform Commission jointly announced that the vehicle classification in Guangdong would be changed to national standard, effective from 26 June 2015. Passenger vehicles and trucks have been re-classified according to the number of seats and loading weight in tonnage respectively. Nevertheless, the tariff rate for each class remains unchanged. In addition, the toll-by-weight scheme applied to trucks has been changed to a total weight basis and the basic tariff rate for trucks on expressways with six lanes or above is RMB0.12 per tonne per km.

During the period under review, the average daily toll revenue on the GS Superhighway and the Western Delta Route increased by 2% and 7% year-on-year respectively, which is similar to the growth rate in the second half of FY15. The impact of the new arrangements on the Group's expressway projects is expected to be neutral going forward.

### **Toll Road Policies**

#### ***Traffic restriction during peak hours in Shenzhen***

On 29 December 2014, the Traffic Police Bureau of Shenzhen announced a new traffic restriction on non-Shenzhen registered passenger vehicles. These vehicles are prohibited from travelling within the four downtown districts of Shenzhen, namely Futian, Luohu, Nanshan and Yantian, during peak hours from 07:00 to 09:00 and from 17:30 to 19:30 since 30 December 2014 for five months, except on routes linking the six border crossings. Hence, vehicles travelling along the GS Superhighway to the Huanggang and Futian border crossings will not be affected under this measure. According to the latest announcement by the Traffic Police Bureau of Shenzhen, this measure has been extended to 30 June 2016.

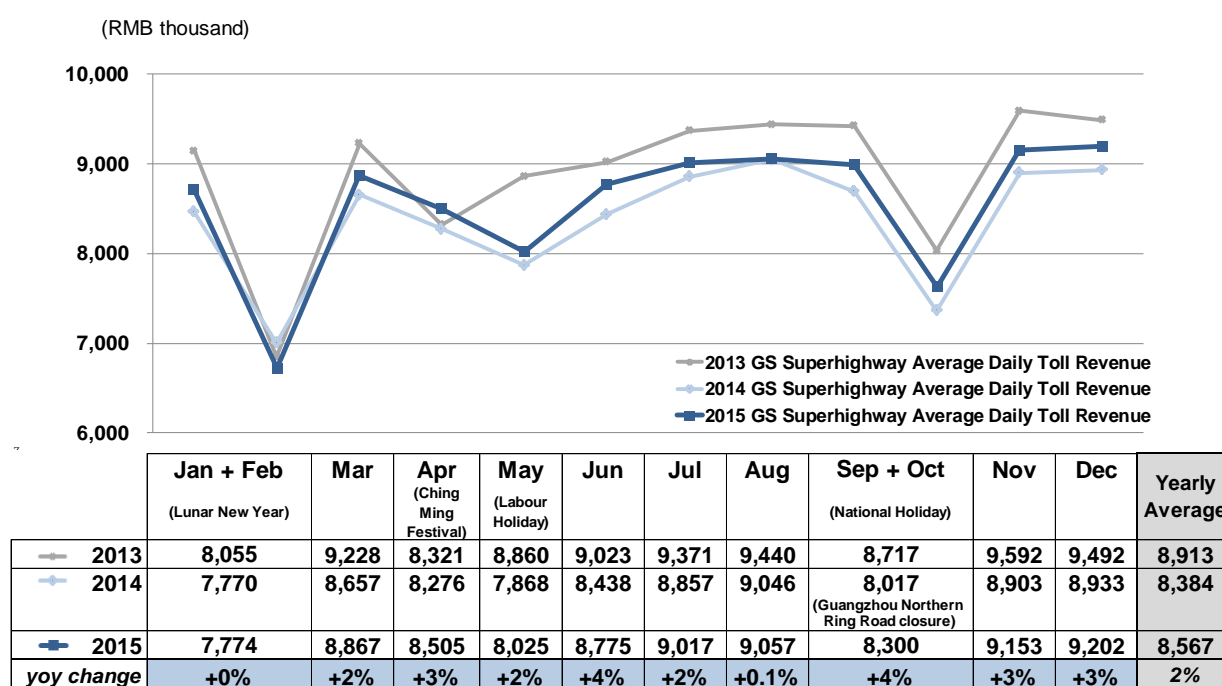
#### ***Regulation on the Administration of Toll Roads (Amendment Proposal)***

On 8 May 2013, the Ministry of Transport proposed amendments to the existing Regulation on the Administration of Toll Roads and invited opinions from the public and relevant industries. Later on 21 July 2015, the Ministry of Transport announced a new version of amendment and invited opinions from the public again. The major new clauses affecting the toll road companies under operation include (1) the toll collection period can be up to 30 years instead of the prevailing 25 years; (2) the operation period can be extended due to increased investment in traffic capacity expansion and (3) the local government, which launches a toll-free policy violating the legal rights of the toll road companies resulting in any revenue loss, needs to compensate the toll road companies. The Company will closely monitor the development on this issue.

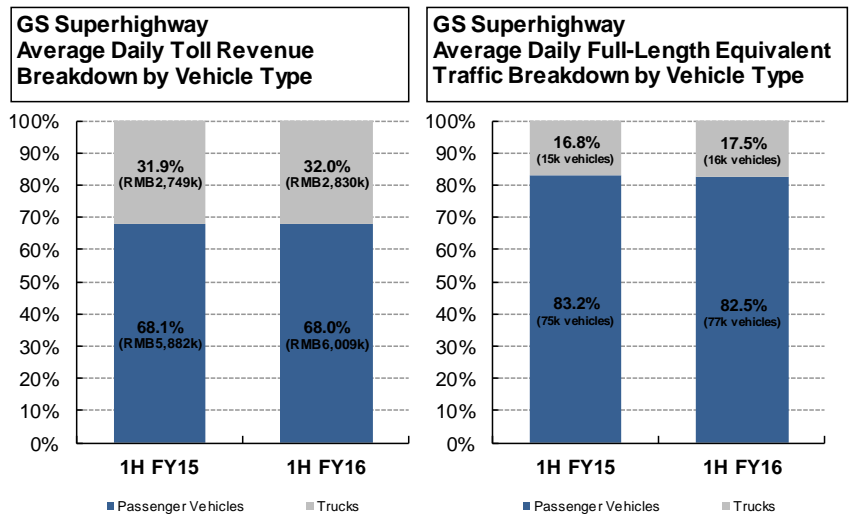
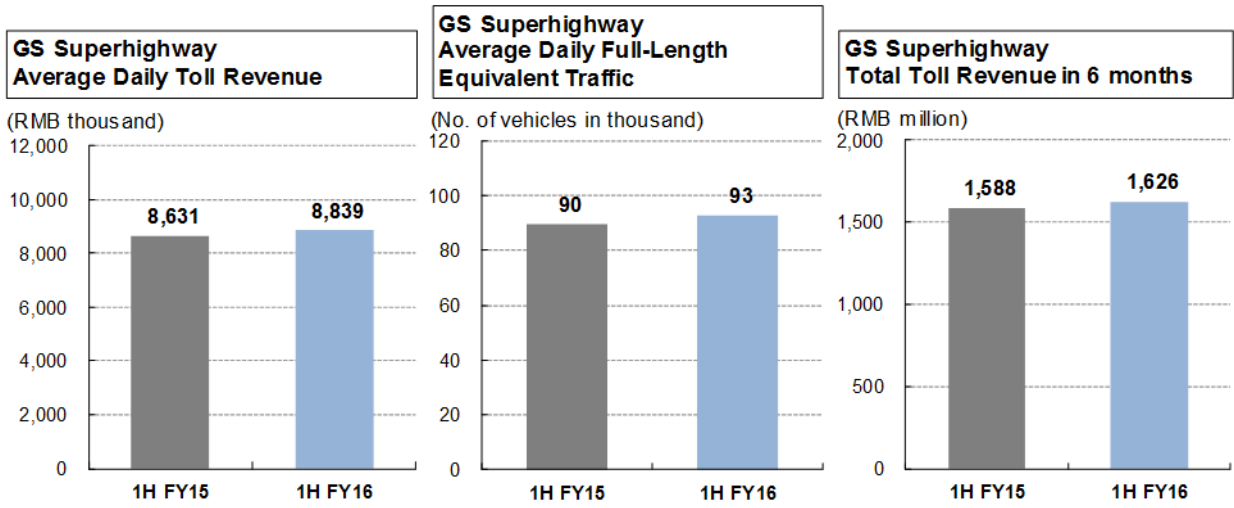
## Guangzhou-Shenzhen Superhighway

The GS Superhighway is the main expressway connecting the PRD region's three major cities – Guangzhou, Dongguan, Shenzhen and Hong Kong. One year after the full opening of the Coastal Expressway at the end of 2013, the GS Superhighway regained growth momentum since the second half of FY15. During the period under review, its growth continued. Average daily toll revenue increased by 2% year-on-year to RMB8.8 million, and its total toll revenue amounted to RMB1,626 million. However, the average daily toll revenue had not returned to RMB9.2 million recorded in the first half of FY14 before the full opening of the Coastal Expressway mainly due to moderating growth of the PRC's economy. The average daily full-length equivalent traffic on the GS Superhighway rose by 4% year-on-year to 93,000 vehicles, implying a 27% room to grow for it to reach the historical peak at 118,000 vehicles on 18 September 2013. This indicates there is still room for traffic to grow on the GS Superhighway. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 68% and 82.5% of the GS Superhighway's toll revenue and full-length equivalent traffic volume.

### GS Superhighway Average Daily Toll Revenue (Monthly)

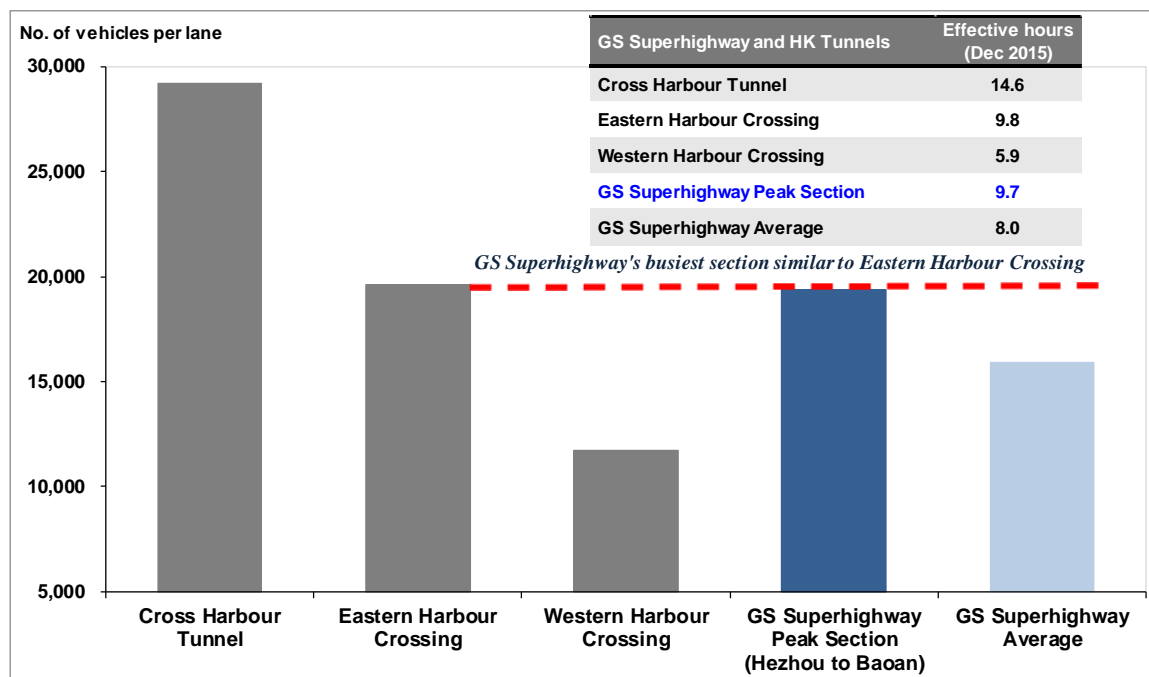






With reference to the chart below, comparing the cross sectional traffic volume (per lane) of the GS Superhighway with that of the Eastern Harbour Crossing in Hong Kong, its busiest section was similar to the Eastern Harbour Crossing while its average of all sections was lower than that of the Eastern Harbour Crossing.

### **GS Superhighway – Average Daily Cross Sectional Traffic per lane and Effective Hour**



**Remarks:**

- 1) Effective hour = no. of vehicles per lane / 2,000 cars per hour per lane
- 2) 10 lanes in dual directions in Wudianmei to Taiping and Hezhou to Fuyong sections after expansion for the GS Superhighway
- 3) Average daily traffic of HK tunnels (November 2015): Cross Harbour Tunnel 117,000, Eastern Harbour Crossing 78,000, Western Harbour Crossing 70,000
- 4) Average daily traffic of GS Superhighway (December 2015)

Both Guangzhou Northern Ring Road and Guangzhou East-South-West Ring Road, which are connected to Guangdan interchange of the GS Superhighway, started maintenance works in some sections from mid-June 2015. The works on Guangzhou Northern Ring Road were completed by the end of August 2015, while maintenance on Guangzhou East-South-West Ring Road is planned to continue until mid-June 2016. Traffic between these roads and the GS Superhighway may be slightly interrupted and the impact is insignificant.

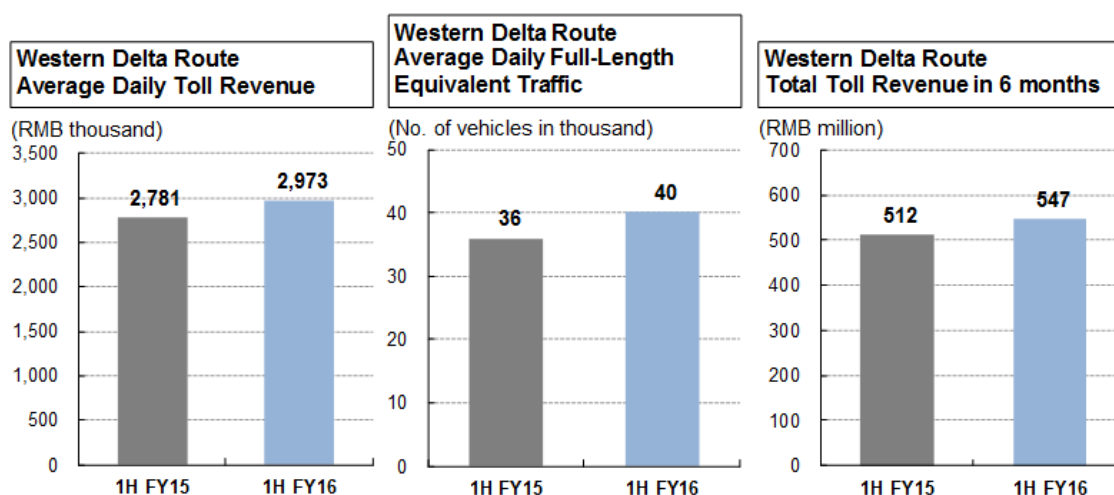
On 30 November 2015, Shenzhen Transport Commission announced that the government would purchase four toll expressways namely Nanguang Expressway, Longda Expressway Shenzhen section, Yanpai Expressway and Yanba Expressway in Shenzhen and they would become toll-free since 7 February 2016. Among these expressways, the Nanguang Expressway and Shenzhen section of Longda Expressway are parallel to the Taiping to Nantou section of the GS Superhighway. Such impact on the traffic of the GS Superhighway is yet to be assessed. The Company will closely monitor the situation.

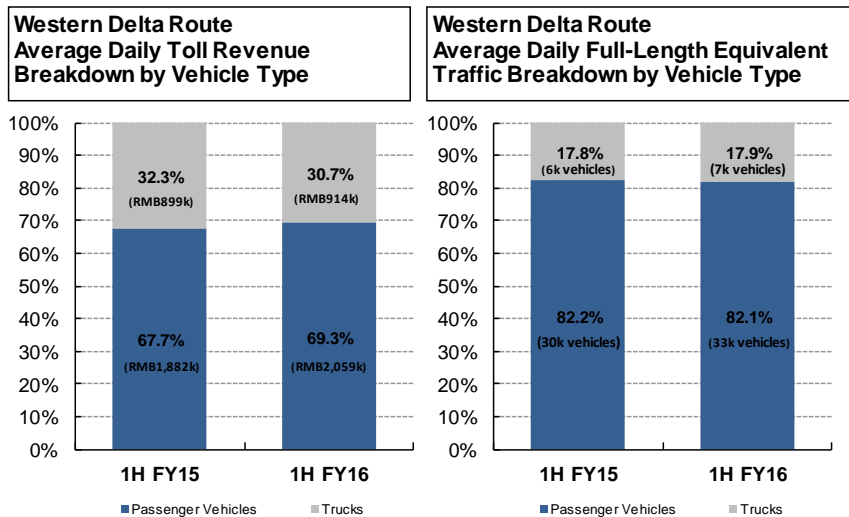
The GS Superhighway JV has been making incessant progress in enhancing its operational efficiency and its capability to cope with the increasing traffic by installing automated equipment at the toll lanes and entry lanes. Currently, approximately 67% of all the toll lanes at entrances to the GS Superhighway are equipped with ETC or automatic card-issuing machines. An organizational structure review is also in progress in order to streamline the workforce to further improve the operational efficiency. Furthermore, energy-saving LED lights were installed at the toll plazas and along its entire main alignment in order to reduce energy consumption and lower operating cost.

## Western Delta Route

The Western Delta Route is a 97.9-km closed expressway with a total of 6 lanes in dual directions which is comprised of Phase I West, Phase II West and Phase III West. It is the central expressway artery on the western bank of the PRD region connecting four major cities – Guangzhou, Foshan, Zhongshan and Zhuhai. It is well connected with Guangzhou’s expressway network in the north and extends southwards to link with Zhuhai’s expressway network, offering a convenient access to Hengqin and the forthcoming HZM Bridge to Hong Kong.

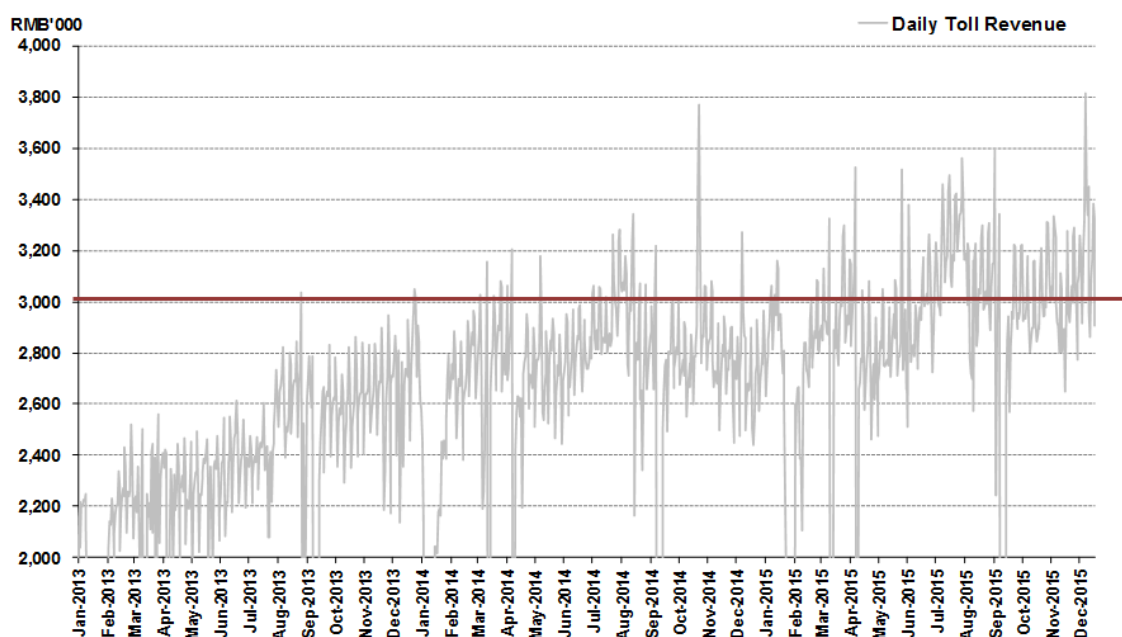
During the period under review, benefiting from the development of tourism in Hengqin and Macau, the average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route continued to grow steadily and achieved 7% and 11% year-on-year growth to RMB3 million and 40,000 vehicles respectively. Meanwhile, its total toll revenue amounted to RMB547 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 69.3% and 82.1% of the Western Delta Route’s toll revenue and full-length equivalent traffic volume.





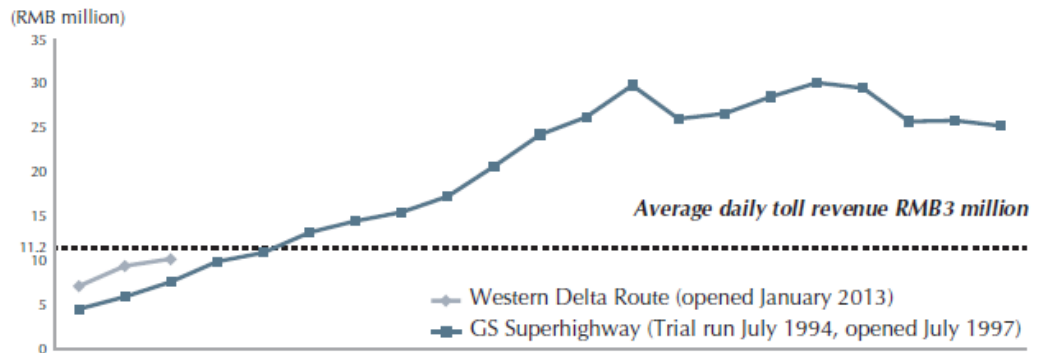
After the opening of Phase III West in the second half of FY13, the Western Delta Route continues to maintain its positive operating cash flow (after taking interest expense payments into account). As the People’s Bank of China started a series of lending rate cuts since the fourth quarter of 2014, together with the completion of Phase II West’s new financial plan, the interest expense of the Western Delta Route has been lowered. As a result, the level of average daily toll revenue for the Western Delta Route to achieve profit breakeven is below RMB3 million. The Western Delta Route first turned profitable in July 2015 and it has shown encouraging revenue generation since opening when comparing with other projects of the Company. Given its locational advantages on the western bank of the Pearl River Delta, it is well-positioned to grow with the prosperous economic development in the region.

Western Delta Route (Phases I, II and III West): Daily Toll Revenue\*



\* Data from 25 January 2013 (when Phase III West commenced operation) to 31 December 2015

## Western Delta Route — Annual Toll Revenue per km

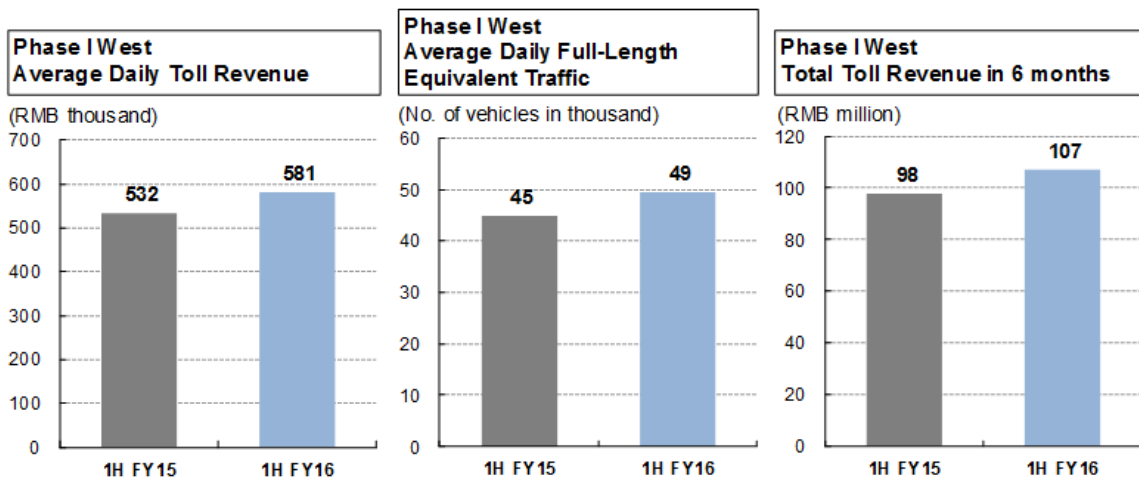


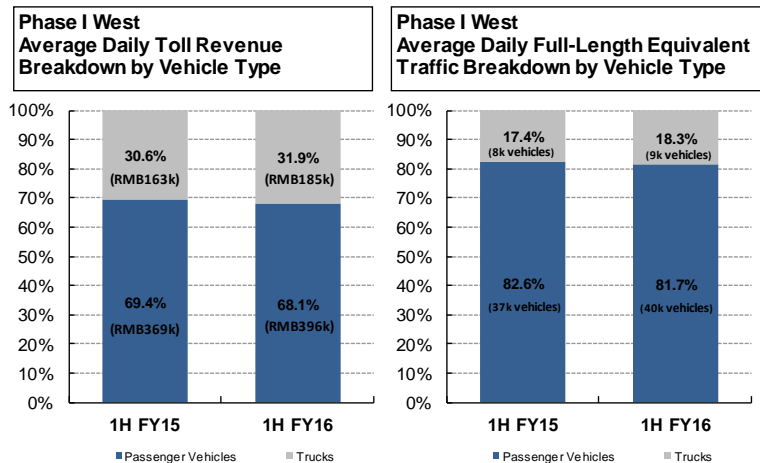
Opening Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	
RMB 'm																						
GS Superhighway (FY95)	4.4	5.8	7.5	9.8	10.8	13.1	14.4	15.4	17.2	20.6	24.2	26.2	29.8	26.0	26.6	28.5	30.1	29.5	25.7	25.8	25.2	
Western Delta Route (FY13)	7.0	9.3	10.1																			

## Phase I of the Western Delta Route

Phase I West connects with Guangzhou East-South-West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. As the northern part of the Western Delta Route, Phase I West's synergy with Phase II West and Phase III West as well as the on-going economic growth of Guangzhou and Foshan will continue to drive the growth of its traffic volume and toll revenue.

The traffic volume and toll revenue of Phase I West grew steadily. During the period under review, its average daily toll revenue increased by 9% year-on-year to RMB581,000, whereas its average daily full-length equivalent traffic increased by 10% to 49,000 vehicles. Its total toll revenue amounted to RMB107 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 68.1% and 81.7% of Phase I West's toll revenue and full-length equivalent traffic volume.





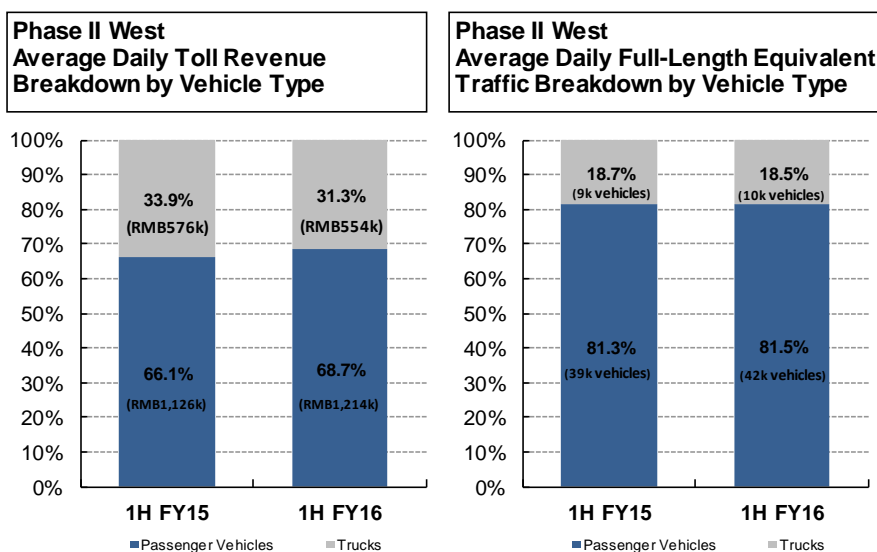
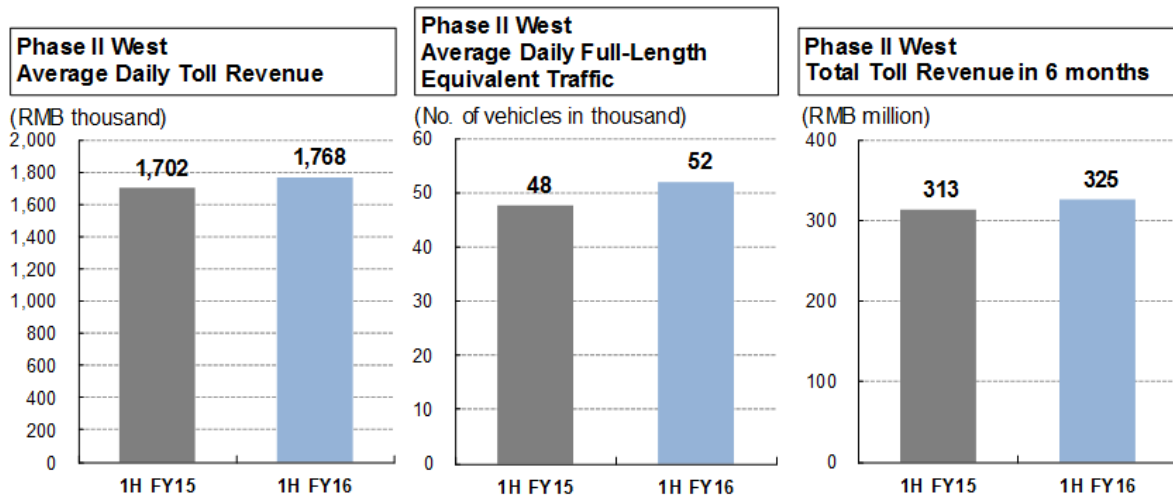
A new interchange between Shizhou and Bijiang interchanges constructed by Guangzhou-Gaoming Expressway, namely Wujiawei interchange, was partially opened and connected with the southbound of Phase I West at the end of December 2014. Since 5 February 2016, this interchange is also connected with the northbound of Phase I West and fully opened to traffic. This new connection will help to bring in traffic from western Foshan to the Western Delta Route.

### Phase II of the Western Delta Route

Phase II West is connected to Phase I West at Shunde to the north and Phase III West at Zhongshan to the south. It is also interconnected with National Highway 105, Guangzhou Southern Second Ring Road and Jiangmen-Zhongshan Expressway, and it has a direct connection to downtown Zhongshan at its southern end. The healthy economic development of cities alongside continued to boost the growth of Phase II West's traffic volume and toll revenue.

The toll revenue and traffic volume of Phase II West recorded mild growth during the period under review. Its average daily toll revenue rose by 4% year-on-year to RMB1,768,000, and its average daily full-length equivalent traffic grew by 9% to 52,000 vehicles. Its total toll revenue for the period amounted to RMB325 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 68.7% and 81.5% of Phase II West's toll revenue and full-length equivalent traffic volume.

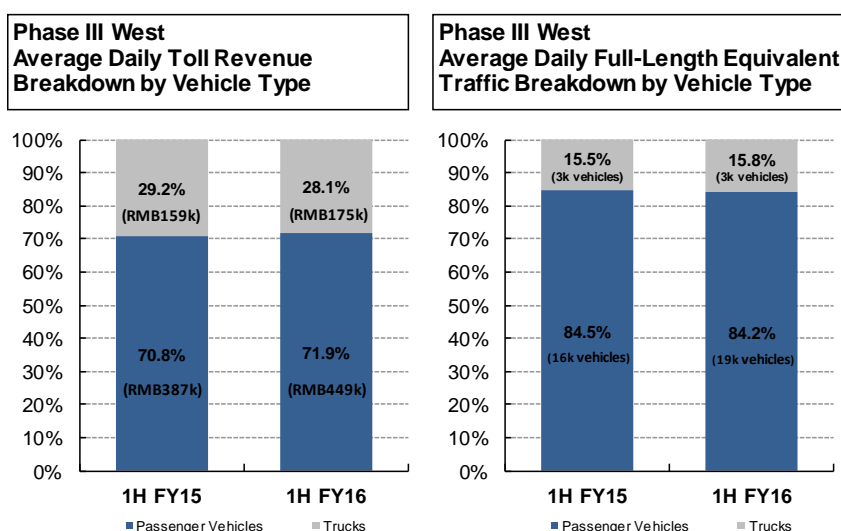
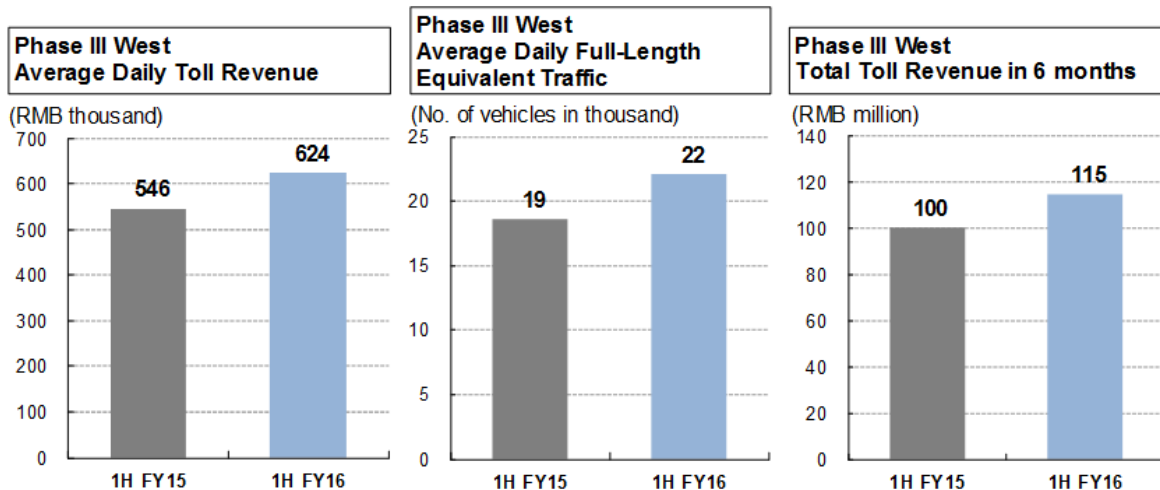
In October 2014, the upgrading works on Shunde to Zhongshan section of National Highway 105, which runs parallel to Ronggui to Zhongshanxi section of Phase II West, were completed. The traffic on National Highway 105 became smoother and it caused a diversion on the traffic of Phase II West. One year after the completion of the upgrading of the above parallel section, the traffic growth of Phase II West became stronger in November and December 2015. Supported by the on-going economic development in Shunde and Zhongshan, it is expected that the traffic volume will continue to grow steadily.



### Phase III of the Western Delta Route

Phase III West is connected to Phase II West at Zhongshan to the north. It extends southwards to link with the Zhuhai expressway network, thus providing a direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau and the HZM Bridge which is currently under construction. It provides the most direct and convenient expressway link between the city centres of Zhongshan and Zhuhai.

The traffic volume and toll revenue of Phase III West continued to record healthy growth. During the period under review, its average daily toll revenue and average daily full-length equivalent traffic amounted to RMB624,000 and 22,000 vehicles, up by 14% and 19% respectively. Its total toll revenue for the period amounted to RMB115 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 71.9% and 84.2% of Phase III West's toll revenue and full-length equivalent traffic volume.



The Second Hengqin Bridge was opened to traffic on 30 December 2015 and is linked with the southern end of the Western Delta Route via local road into Hengqin temporarily. By the end of 2016, it will be connected with the Zhuhai expressway network and a direct expressway link from Guangzhou to Zhuhai's Hengqin which include the Western Delta Route will be formed. It can further facilitate traffic to and fro Hengqin through Phase III West. It is believed that good connectivity will provide continuous and stable traffic flow to the Western Delta Route.



## FINANCIAL REVIEW

### *Sound Financial Plan*

Financial positions of the JV companies have been strengthened by (i) loan rescheduling of the GS Superhighway and Phase I West and (ii) Phase II West's new financial plan, which helped to reduce the West Route JV's debt and resulted in the full repayment of RMB682 million of net shareholder's loan to the Group by October 2015. Hence, no further capital expenditure is required for the Group in respect of the West Route JV, which is financially self-sufficient and capable to repay bank loans as scheduled until at least 2020.

### *GS Superhighway's loans rescheduling*

During the period under review, the GS Superhighway JV agreed with the banks to extend the maturity dates of the existing US Dollar loans (USD403 million) and HK Dollar loan (HKD417 million) by six years from 2018 and 2019 to 2025. The loan rescheduling would help accelerate the dividend distributions by the GS Superhighway JV to the Group and further enhance the Group's liquidity. During the period under review, the Group received RMB463 million dividends from the GS Superhighway JV (1H FY15: RMB333 million).

### *Phase I West's loan rescheduling*

For the purpose of improving financing flexibility, the West Route JV agreed with the bank to extend the maturity date of Phase I West's bank loans totalling RMB569 million by five years from 2019 to 2024 during the period under review.

### *GS Superhighway's and Phase I West's loans rescheduling*

JV Level	Bank Loan		Original Maturity	New Maturity	Fall in principal repayment / year CY2015-CY2019
	Amount for Rescheduling	As at 31 Dec 2015			
GS Superhighway	USD403 million; HKD417 million	USD398 million; HKD397 million	CY2018 & CY2019	CY2025	RMB471 million
Phase I West	RMB569 million	RMB554 million	CY2019	CY2024	RMB102 million

### *Phase II West's new financial plan*

The total investment of Phase II West is RMB7,080 million and it is funded mainly by registered capital and banking facilities. Under the new capital regulations, application for increasing investment in Phase II West can now be processed at the provincial level instead of the national level, resulting in the acceleration of the approval process.

Phase II West's new financial plan was completed during the period under review and the Group had received the full repayment of the net shareholder's loan of RMB682 million advanced by it to the West Route JV previously. Under such plan, a total of approximately RMB636 million of additional registered capital was injected into the West Route JV by the Group and the PRC JV partner on a 50:50 basis in three tranches, with a total of RMB212 million injected in each tranche. Besides, additional project bank loans of approximately RMB615 million would be borrowed by the West Route JV in October 2015. The total additional registered capital of RMB318 million injected by the Group was provided by capitalising an equivalent amount from the RMB1,000 million shareholder's loan advanced by it. Subsequently, the West Route JV used the funds obtained from the additional registered capital from the PRC JV partner and project bank loans to repay the remaining shareholder's loan of RMB682 million provided by the Group, and to settle the outstanding project payments of not more than RMB251 million. Not only has the new financial plan of Phase II West reduced debt and interest expense, but also it will improve the Group's liquidity and the West Route JV's financial position. Besides, the Group no longer needs to inject shareholder's loan into Phase II West.

Of the RMB1,000 million shareholder's loan advanced by the Group to the West Route JV for Phase II West, RMB106 million was used by the Group as additional registered capital for Phase II West, while the West Route JV used the funds obtained from the additional registered capital injection by the PRC JV partner to repay RMB106 million to the Group during each tranche of additional registered capital injection. The three tranches of additional registered capital injection were completed in February, July and September 2015. As a result, the outstanding amount of shareholder's loan advanced by the Group to the West Route JV reduced to RMB364 million. In other words, the West Route JV had converted the debt into equity upon completion of each tranche of additional registered capital injection. Full repayment and the receipt of remaining shareholder's loan advanced by the Group to the West Route JV of RMB364 million were completed after additional project bank loan of RMB500 million, out of the RMB615 million banking facility, was drawn by the West Route JV in October 2015, to settle outstanding shareholder's loan from HHI and project payments.

**Phase II West's new financial plan — Completed**

Before		After		Net shareholder's loan repayment to HHI RMB682m received by October 2015 (fully repaid)
(JV level)	RMB million	(JV level)	RMB million	
HHI Shareholder's loan	1,000	HHI's new registered capital	318	
Outstanding project payments	251	PRC JV partner's new registered capital	318	
		New project bank loans	615	
	<u>1,251</u>		<u>1,251</u>	

### **Phase III West's financing**

The planned total investment for Phase III West decreased from RMB6,150 million to RMB5,980 million, mainly due to the saving of land costs. The project is adequately funded by registered capital, available banking facilities, shareholder's loans and cash flow from operation by the West Route JV. The Group contributed the full amount of registered capital (RMB980 million in aggregate) and advanced shareholder's loan totalling RMB530 million to the West Route JV as interim financing for Phase III West. Such shareholder's loan had been fully repaid by the West Route JV. As at 31 December 2015, the estimated outstanding project payments for Phase III West amounted to not more than RMB187 million (based on the planned total investment of RMB5,980 million), which will be sufficiently funded by the available PRC project bank loan and the cash flow from operation by the West Route JV. Besides, the Group and the PRC JV partner no longer need to inject shareholder's loan into Phase III West. Hence, no further capital expenditure is needed for HHI in respect of the Western Delta Route.

### ***Liquidity and Financial Resources***

The Group's debt balance comprised of the Group's bank loans, and its share of the non-recourse project loans of its JV companies. The total debt to total assets (including share of total assets of JV companies) ratio and gearing ratio (net debt to equity attributable to owners of the Company) as at 31 December 2015 were shown below. The Group's net cash on hand (excluding JV companies), amounted to RMB571 million. The liquidity of the Group has been further improved after the West Route JV repaid in full the shareholder's loan advanced by the Group in respect of Phase II West in addition to the completion of the loans rescheduling of the GS Superhighway JV.

## HHI Corporate Level

	30 June 2015	31 December 2015	30 June 2015	31 December 2015
	RMB million	RMB million	RMB million	RMB million
<b>Bank balances and cash and shareholder's loan to JV company</b>				
- Bank balances and cash	574	837		
- Shareholder's loan receivable from JV company <sup>Note 1</sup>	788	-		
• By HHI	576	-		
• For HHI's registered capital injection in Phase II West	212	-		
		Fully repaid by Phase II West		
	1,362	837		
<b>Corporate debt</b>				
- HKD bank loan			237	266
			237	266
<b>Net cash <sup>Note 2</sup> : RMB571 million (30 June 2015: RMB337 million)</b>				

## Share of JV Companies

	30 June 2015	31 December 2015	30 June 2015	31 December 2015
	RMB million	RMB million	RMB million	RMB million
<b>Bank balances and cash</b>				
- Bank balances and cash	273	252		
	273	252		
<b>Bank loans and shareholder's loan</b>				
- GS Superhighway			1,340	1,398
- Western Delta Route			4,422	4,136
Phase I West			288	277
Phase II West			2,196 <sup>Note 3</sup>	1,926
Phase III West			1,938	1,933
			5,762	5,534
<b>Net debt <sup>Note 2</sup> : RMB5,282million (30 June 2015: RMB5,489 million)</b>				

Note 1: The Group's shareholder's loan was made to the West Route JV for Phase II West as interim financing due to inability of the West Route JV to borrow from PRC banks for Phase II West before the official approval for its increased investment

Note 2: Bank balances and cash less debt

Note 3: Including shareholder's loan to Phase II West shared by the Group amounting to RMB394 million

	30 June 2015 RMB million	<b>31 December 2015</b> <b>RMB million</b>
Total debt		
- Company and subsidiaries	237	<b>266</b>
- Share of JV companies <sup>Note 1</sup>	5,747	<b>5,903</b>
Net debt <sup>Note 2</sup>	5,137	<b>5,081</b>
Total assets (including share of JV companies' total assets) <sup>Note 3</sup>	14,299	<b>13,901</b>
Equity attributable to owners of the Company	7,247	<b>6,672</b>
Total debt/total assets ratio	42%	<b>44%</b>
Gearing ratio	71%	<b>76%</b>

*Note 1: The Group's share of JV companies' debt is defined as bank and other loans together with balance with JV partner but excluding the shareholder's loan to Phase II West shared by the Group.*

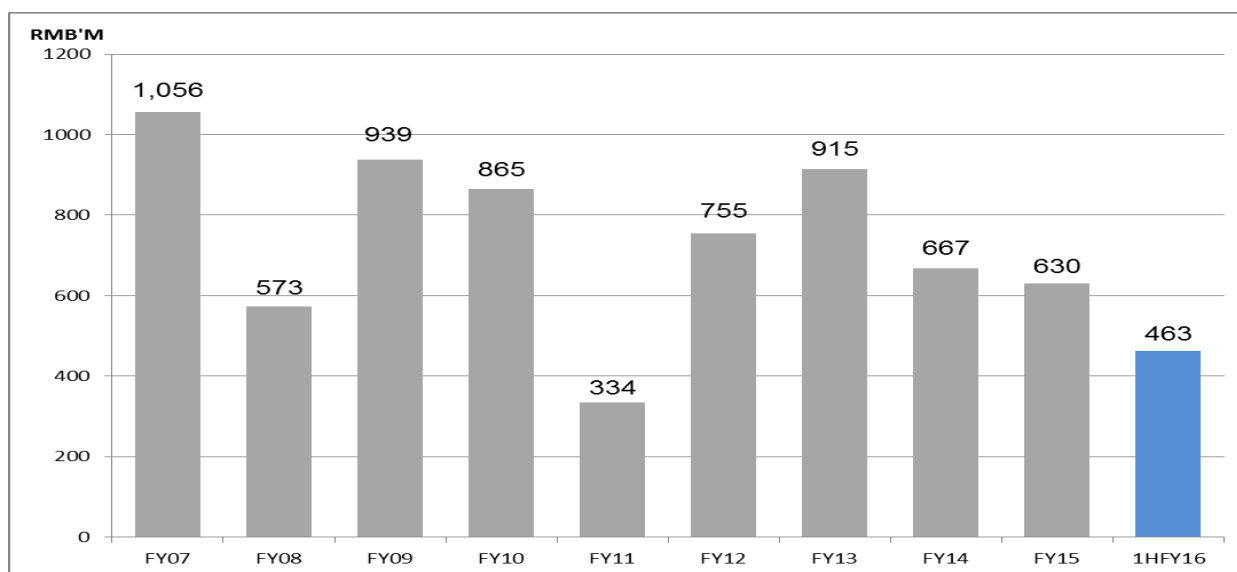
*Note 2: Net debt is defined as total debt (including share of JV companies) less total bank balances and cash (including share of JV companies).*

*Note 3: Concession values are not marked to market but are booked at historical cost less depreciation.*

The major source of the Group's cash inflow during the six months ended 31 December 2015 was dividends received from the GS Superhighway JV. On the other hand, its major cash outflow was the payment of dividends to the Company's shareholders. The Group will continue to optimise its balance sheet, improve its cash flow and strengthen its financial position.

The Group enjoys a strong and solid financial position. As at 31 December 2015, the Group's bank balances and cash on hand (excluding JV companies) amounted to RMB837 million (30 June 2015: RMB574 million), or RMB0.27 per share (30 June 2015: RMB0.19 per share). After netting off the Group's bank loans totalled RMB266 million, the Group's net cash on hand (excluding JV companies) amounted to RMB571 million (30 June 2015: RMB337 million) or RMB0.19 per share (30 June 2015: RMB0.11 per share). As at 31 December 2015, the net cash on hand of RMB571 million, together with available banking facilities of RMB655 million and stable cash dividends from the GS Superhighway JV will provide sufficient financial resources for its operations and potential investments.

**Cash Dividends (Net of Tax) from GS Superhighway JV to HHI (RMB million)**



As at 31 December 2015, 99.9% (30 June 2015: 99.8%) of the Group's bank balances and cash (excluding JV companies) on hand were denominated in RMB and 0.1% (30 June 2015: 0.2%) in HK Dollars. The bank balances and cash on hand of the JV companies shared by the Group amounted to RMB252 million (30 June 2015: RMB273 million). The Group received cash dividends from the GS Superhighway JV of RMB463 million during the six months ended 31 December 2015. The reductions in the cash dividends during FY08 and FY11 were mainly brought about by the repatriation of registered capital by the GS Superhighway JV to the Group and the intercompany borrowings provided by the GS Superhighway JV to the West Route JV in respect of Phase II West respectively. The cash dividends from the GS Superhighway JV were restored to their normal levels since FY12. The cash dividends increased during FY13 as a result of the full repayment of intercompany borrowings by the West Route JV in respect of Phase II West 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 these funds. As of 31 December 2015, cash dividends receivable from the GS Superhighway JV amounted to approximately RMB2 billion. The cash dividends received and receivable from the GS Superhighway JV make the Group confident that it has sufficient financial resources for its operations and potential investments.

In view of its current operating cash flow and strong financial position with net cash of RMB571 million at corporate level and dividends from the GS Superhighway JV to HHI of over RMB600 million per year (based on the dividends received from the GS Superhighway JV in the previous two financial years), the Board believes that the Group's target payout ratio of approximately 100% on a full-year basis is sustainable.

**Bank and Other Borrowings**

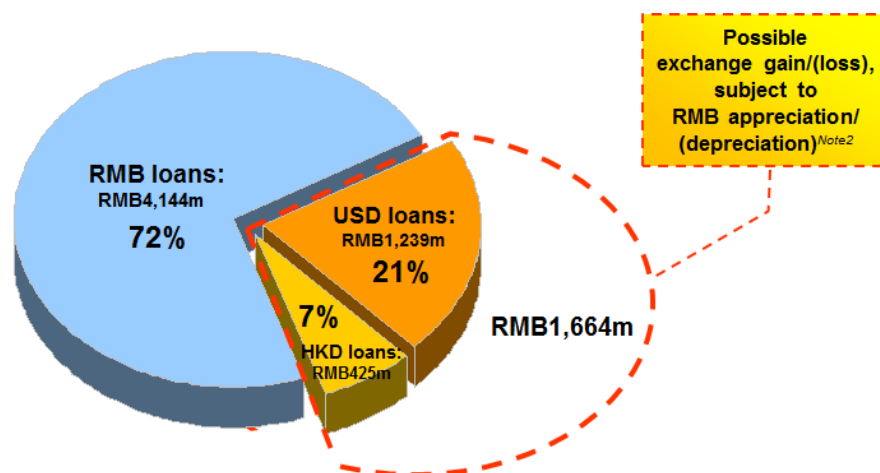
As at 31 December 2015, the total bank and other borrowings of the JV companies shared by the Group (including US Dollar bank loans of equivalent to RMB1,239 million, HK Dollar bank loan of

equivalent to RMB159 million, RMB bank loans of RMB4,136 million and RMB other borrowing of RMB8 million), together with the Group's HK Dollar bank loan of equivalent to RMB266 million, amounted to approximately RMB5,808 million (30 June 2015: RMB5,612 million) with the following profile:

- (a) 99.9% (30 June 2015: 99.9%) consisted of bank loans and 0.1 % (30 June 2015: 0.1%) of other loan; and
- (b) 72% (30 June 2015: 72%) was denominated in RMB; 21% (30 June 2015: 21%) was denominated in US Dollar and 7% (30 June 2015: 7%) was denominated in HK Dollar. The Group may incur exchange gain or loss from the US Dollar and HK Dollar loans subject to RMB appreciation or depreciation.

**HHI's Share** <sup>Note 1</sup>

(as at 31 December 2015)



Note 1: Represent HHI's share of JVs' bank loans of RMB5,534 million, other borrowings of RMB8 million and HHI corporate bank loans of RMB266 million

Note 2: Not applicable to HHI corporate level HK Dollar bank loan (equivalent to RMB266 million) which is held by a Hong Kong company

**Debt Maturity Profile**

As at 31 December 2015, the maturity profile of the bank and other borrowings of the JV companies shared by the Group (excluding shareholder's loan), together with the Group's bank loans, were shown below, together with the corresponding figures as at 30 June 2015:

**HHI Corporate Level**

	30 June 2015		31 December 2015	
	RMB million	%	RMB million	%
Repayable within 1 year	237	100%	266	100%

## Share of JV Companies

	30 June 2015		31 December 2015 <i>Note 1</i>	
	RMB million	%	RMB million	%
Repayable within 1 year	365	7%	<b>50</b>	<b>1%</b>
Repayable between 1 and 5 years	2,181	40%	<b>1,324</b>	<b>24%</b>
Repayable beyond 5 years	2,829	53%	<b>4,168</b>	<b>75%</b>
	<b>5,375</b>	<b>100%</b>	<b>5,542</b>	<b>100%</b>

*Note 1: During the six months ended 31 December 2015, the West Route JV had made use of surplus cash on hand to early repay bank loans due in the second half of FY16 and the first half of FY17 amounting to RMB65 million and RMB65.25 million respectively.*

As at 31 December 2015, 75% (30 June 2015: 53%) of the bank loans and other borrowings of the JV companies shared by the Group (excluding shareholder's loans) were repayable beyond 5 years. The increase is attributable to the completion of loan rescheduling of the GS Superhighway JV and the West Route JV in respect of Phase I West. Thus the risk of refinancing the bank loans and other borrowings will continue to remain relatively low.

### ***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 JV companies has any financial derivative instruments to hedge their exposure to interest rates or foreign currency exchange rates.

### ***Treasury Policies***

The Group continues to adopt prudent and conservative treasury policies in its financial and funding management. Its liquidity and financial resources are reviewed on a regular basis, with a view to minimising its funding costs and enhancing the returns on its financial assets. Most of the Group's cash is placed in deposits denominated in RMB. Holding RMB suits the Group's PRC-based operations, and it can earn higher interest income from RMB deposits than HK Dollar deposits. The percentage of cash the Group held in RMB bank deposits was 99.9% as at 31 December 2015. The Group's overall treasury yield on bank deposits was 3.51% during the six months ended 31 December 2015, compared to 3.57% of FY15. The Group will continue to strengthen its treasury management and evaluate the options available for improving the yields on its substantial cash-deposit portfolio.

### ***Capital Commitments***

During the year ended 30 June 2015, the Group decided to make additional capital contributions to the West Route JV in respect of Phase II West by three tranches in aggregate of RMB318 million. The first, second and third tranche of the additional capital of RMB 106 million each had been contributed by the Group in February 2015, July 2015 and September 2015 respectively.

Accordingly, as at 31 December 2015, the Group has no outstanding capital commitment.



### ***Pledge of Assets***

As at 31 December 2015, the Group's JV companies pledged certain assets to banks in order to secure the banking facilities granted to them. The carrying amounts of these assets shared by the Group were as follows:

	30 June 2015	31 December 2015
	RMB million	RMB million
Concession intangible assets	5,188	5,017
Property and equipment	214	240
Inventories	1	1
Interest and other receivables	76	26
Bank balances and deposits	257	234
	5,736	5,518

In addition to the above, 100% of the toll collection rights of the GS Superhighway, Phase II West and Phase III West, and 53.4% of the toll collection rights of Phase I West were pledged to banks to secure banking facilities granted to their respective JV companies.

### ***Contingent Liabilities***

As at 31 December 2015, the Group had no material contingent liabilities.

### ***Material Acquisition or Disposal***

The Company's subsidiaries and associated companies did not make any material acquisitions or disposals during the period ended 31 December 2015.

## **OTHER INFORMATION**

### ***Review of Interim Results***

The Audit Committee of the Company and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu, 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 unaudited interim results for the six months ended 31 December 2015.

### ***Employees and Remuneration Policies***

The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Group's business performance. It also provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 31 December 2015, the Group, excluding its JV companies, had 24 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family-friendly employment policies and practices. The Group arranged birthday parties, BBQ parties, Christmas party, Annual Dinner and Employees Assistance Program for employees which were delivered by professionals who shared their experiences and methods to handle stress. The Group also invests in human capital development by providing relevant training programmes to enhance employee productivity. In collaboration with Independent Commission Against Corruption, Equal Opportunities Commission and Office of Privacy Commissioner for Personal Data, the Group held different kind of seminars and workshops for the employees to enhance their awareness of corporate governance.

The Group's training programmes are designed to support its employees' continuous learning and development and fill skill gaps identified during performance appraisals. Its overall training objectives are to enhance the personal productivity of its employees and to identify their career development plan in order to prepare their future roles and enable them to make greater contributions to the success of the Group's businesses. Besides formal training programmes, the Group also provides comprehensive and relevant training and self-learning opportunities to employees such as on-the-job training, educational sponsorships and examination leave.

### ***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 2015.

### ***Corporate Governance Practices***

During the period under review, 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 the 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 Managing Director 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**

The Company does not consider it necessary to have a policy concerning diversity of board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider a formal board diversity policy will provide measurable benefits to enhance the effectiveness of the Board.

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

The Company has adopted the Model Code as its model code for securities transactions by the Directors and an employees' share dealing rules ("Share Dealing Rules") on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of inside information. Having made specific enquiry with the Directors and the relevant employees, all of them have confirmed that they have fully complied with the Model Code and the Share Dealing Rules respectively throughout the period under review.

On behalf of the Board  
**Sir Gordon Ying Sheung WU** KCMG, FICE  
*Chairman*

Hong Kong, 24 February 2016

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

*For The Six Months Ended 31 December 2015*

	<u>NOTES</u>	Six months ended 31 December			
		<u>2014</u> (unaudited) RMB'000	<u>2015</u> (unaudited) RMB'000	<u>2014</u> (unaudited) HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2015</u> (unaudited) HK\$'000
Other income	4	50,111	<b>29,622</b>	63,156	<b>36,417</b>
Depreciation		(68)	<b>(84)</b>	(86)	<b>(104)</b>
General and administrative expenses		(18,024)	<b>(17,198)</b>	(22,709)	<b>(21,132)</b>
Finance costs	5	(13,724)	<b>(2,635)</b>	(17,292)	<b>(3,236)</b>
Share of results of joint ventures	6	269,671	<b>260,634</b>	339,915	<b>318,115</b>
Profit before tax		287,966	<b>270,339</b>	362,984	<b>330,060</b>
Income tax expenses	7	(21,472)	<b>(15,386)</b>	(27,061)	<b>(18,798)</b>
Profit for the period		<u>266,494</u>	<u><b>254,953</b></u>	<u>335,923</u>	<u><b>311,262</b></u>
Other comprehensive income (expense)					
Item will not be reclassified to profit or loss:					
Exchange gain (loss) arising on translation to presentation currency		-	-	13,799	<b>(416,703)</b>
Item that may be subsequently reclassified to profit or loss:					
Exchange gain (loss) arising on translation of foreign operations		<u>193</u>	<u><b>(12,275)</b></u>	<u>-</u>	<u>-</u>
Total comprehensive income (expense) for the period		<u><u>266,687</u></u>	<u><u><b>242,678</b></u></u>	<u><u>349,722</u></u>	<u><u><b>(105,441)</b></u></u>
Profit for the period attributable to:					
Owners of the Company		261,421	<b>250,578</b>	329,530	<b>305,926</b>
Non-controlling interests		<u>5,073</u>	<u><b>4,375</b></u>	<u>6,393</u>	<u><b>5,336</b></u>
		<u><u>266,494</u></u>	<u><u><b>254,953</b></u></u>	<u><u>335,923</u></u>	<u><u><b>311,262</b></u></u>
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		261,614	<b>238,303</b>	343,215	<b>(108,053)</b>
Non-controlling interests		<u>5,073</u>	<u><b>4,375</b></u>	<u>6,507</u>	<u><b>2,612</b></u>
		<u><u>266,687</u></u>	<u><u><b>242,678</b></u></u>	<u><u>349,722</u></u>	<u><u><b>(105,441)</b></u></u>
		RMB Cents	RMB Cents	HK Cents	HK Cents
Earnings per share	9				
Basic and diluted		<u>8.48</u>	<u><b>8.13</b></u>	<u>10.69</u>	<u><b>9.93</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2015*

	30 June 2015 (audited) RMB'000	<b>31 December 2015 (unaudited) RMB'000</b>	30 June 2015 (audited) HK\$'000	<b>31 December 2015 (unaudited) HK\$'000</b>
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Interests in joint ventures	6,203,147	<b>6,279,781</b>	7,753,934	<b>7,498,058</b>
Investment	4,785	<b>4,785</b>	5,982	<b>5,714</b>
Property and equipment	261	<b>543</b>	326	<b>649</b>
	6,208,193	<b>6,285,109</b>	7,760,242	<b>7,504,421</b>
<b>Current Assets</b>				
Deposits and prepayments	1,306	<b>1,050</b>	1,632	<b>1,253</b>
Dividend and other receivables	88,132	<b>4,327</b>	110,166	<b>5,166</b>
Loans to a joint venture	788,000	-	985,000	-
Interest receivable from a joint venture	25,498	-	31,872	-
Bank balances and cash	574,012	<b>836,711</b>	717,514	<b>999,033</b>
	1,476,948	<b>842,088</b>	1,846,184	<b>1,005,452</b>
<b>Total Assets</b>	7,685,141	<b>7,127,197</b>	9,606,426	<b>8,509,873</b>
<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	6,976,694	<b>6,401,431</b>	8,750,952	<b>7,658,240</b>
Equity attributable to owners of the Company	7,247,297	<b>6,672,034</b>	9,059,121	<b>7,966,409</b>
Non-controlling interests	51,797	<b>48,270</b>	64,746	<b>57,634</b>
<b>Total Equity</b>	7,299,094	<b>6,720,304</b>	9,123,867	<b>8,024,043</b>
<b>Non-current Liability</b>				
Deferred tax liabilities	137,335	<b>131,680</b>	171,668	<b>157,226</b>
<b>Current Liabilities</b>				
Payables and accruals	8,815	<b>8,766</b>	11,019	<b>10,466</b>
Bank loans	236,560	<b>266,415</b>	295,700	<b>318,100</b>
Tax liabilities	3,337	<b>32</b>	4,172	<b>38</b>
	248,712	<b>275,213</b>	310,891	<b>328,604</b>
<b>Total Liabilities</b>	386,047	<b>406,893</b>	482,559	<b>485,830</b>
<b>Total Equity and Liabilities</b>	7,685,141	<b>7,127,197</b>	9,606,426	<b>8,509,873</b>
Cash and cash equivalents	574,012	<b>836,711</b>	717,514	<b>999,033</b>

## **Notes to the Condensed Consolidated Financial Statements**

*For the Six Months Ended 31 December 2015*

### **1. BASIS OF PREPARATION**

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

The Company's functional currency and presentation currency are Renminbi ("RMB"). The presentation of Hong Kong Dollar ("HKD") amounts in these condensed consolidated financial statements is for information purpose only.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis.

In the current interim period, no new interpretation and amendments to International Financial Reporting Standards ("IFRSs") was issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

### **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, earnings before interest, tax, depreciation and amortisation ("EBITDA"), depreciation and amortisation, 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")
- Phase I of the Western Delta Route ("Phase I West")
- Phase II of the Western Delta Route ("Phase II West")
- Phase III of the Western Delta Route ("Phase III West")

Information regarding the above segments is reported below.

## Segment revenue and results

	Six months ended 31 December									
	2014					2015				
	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GS Superhighway	739,528	602,753	(198,974)	(133,847)	269,932	<b>757,295</b>	<b>637,510</b>	<b>(209,544)</b>	<b>(137,483)</b>	<b>290,483</b>
Western Delta Route	248,154	196,776	(77,184)	(142,023)	(22,431)	<b>265,341</b>	<b>221,984</b>	<b>(86,264)</b>	<b>(117,251)</b>	<b>18,469</b>
- Phase I West	47,519	36,159	(9,244)	(8,083)	18,832	<b>51,844</b>	<b>39,833</b>	<b>(10,650)</b>	<b>(7,351)</b>	<b>21,832</b>
- Phase II West	151,928	126,796	(46,349)	(71,860)	8,587	<b>157,769</b>	<b>136,229</b>	<b>(49,395)</b>	<b>(54,399)</b>	<b>32,435</b>
- Phase III West	48,707	33,821	(21,591)	(62,080)	(49,850)	<b>55,728</b>	<b>45,922</b>	<b>(26,219)</b>	<b>(55,501)</b>	<b>(35,798)</b>
Total	<u>987,682</u>	<u>799,529</u>	<u>(276,158)</u>	<u>(275,870)</u>	247,501	<u><b>1,022,636</b></u>	<u><b>859,494</b></u>	<u><b>(295,808)</b></u>	<u><b>(254,734)</b></u>	<u><b>308,952</b></u>
Corporate interest income from bank deposits					16,796					<b>16,967</b>
Corporate interest income from loans made by the Group to a joint venture					31,433					<b>9,166</b>
Other income					1,400					<b>1,092</b>
Corporate general and administrative expenses and depreciation					(18,092)					<b>(17,282)</b>
Corporate finance costs					(13,724)					<b>(2,635)</b>
Corporate income tax expenses					(4,883)					<b>(1,241)</b>
Net exchange gain (loss) (net of related income tax) (Note)					6,063					<b>(60,066)</b>
Profit for the period					266,494					<b>254,953</b>
Profit for the period attributable to non-controlling interests					(5,073)					<b>(4,375)</b>
Profit for the period attributable to owners of the Company					<u>261,421</u>					<u><b>250,578</b></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 RMB62,463,000 (six months ended 31 December 2014: exchange gain (net of related income tax) of RMB5,581,000) and the net exchange gain of the Group of RMB2,397,000 (six months ended 31 December 2014: RMB482,000).

## (FOR INFORMATION PURPOSE ONLY)

	Six months ended 31 December									
	2014					2015				
	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
GS Superhighway	931,833	759,558	(250,714)	(168,662)	340,182	<b>922,823</b>	<b>776,846</b>	<b>(255,342)</b>	<b>(167,671)</b>	<b>353,833</b>
Western Delta Route	312,697	248,027	(97,260)	(178,987)	(28,220)	<b>323,315</b>	<b>270,651</b>	<b>(105,066)</b>	<b>(143,056)</b>	<b>22,529</b>
- Phase I West	59,876	45,573	(11,648)	(10,186)	23,739	<b>63,180</b>	<b>48,597</b>	<b>(12,971)</b>	<b>(8,962)</b>	<b>26,664</b>
- Phase II West	191,446	159,824	(58,405)	(90,561)	10,858	<b>192,237</b>	<b>166,085</b>	<b>(60,189)</b>	<b>(66,386)</b>	<b>39,510</b>
- Phase III West	61,375	42,630	(27,207)	(78,240)	(62,817)	<b>67,898</b>	<b>55,969</b>	<b>(31,906)</b>	<b>(67,708)</b>	<b>(43,645)</b>
Total	<u>1,244,530</u>	<u>1,007,585</u>	<u>(347,974)</u>	<u>(347,649)</u>	311,962	<u><b>1,246,138</b></u>	<u><b>1,047,497</b></u>	<u><b>(360,408)</b></u>	<u><b>(310,727)</b></u>	<u><b>376,362</b></u>
Corporate interest income from bank deposits					21,176					<b>20,782</b>
Corporate interest income from loans made by the Group to a joint venture					39,604					<b>11,348</b>
Other income					1,768					<b>1,348</b>
Corporate general and administrative expenses and depreciation					(22,795)					<b>(21,236)</b>
Corporate finance costs					(17,292)					<b>(3,236)</b>
Corporate income tax expenses					(6,155)					<b>(1,536)</b>
Net exchange gain (loss) (net of related income tax) (Note)					7,655					<b>(72,570)</b>
Profit for the period					335,923					<b>311,262</b>
Profit for the period attributable to non-controlling interests					(6,393)					<b>(5,336)</b>
Profit for the period attributable to owners of the Company					<u>329,530</u>					<u><b>305,926</b></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 HK\$75,509,000 (six months ended 31 December 2014: exchange gain (net of related income tax) of HK\$7,047,000) and the net exchange gain of the Group of HK\$2,939,000 (six months ended 31 December 2014: HK\$608,000).

The segment revenue represents the Group's share of the joint ventures' toll revenue received and receivable (net of business 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 EBITDA, depreciation and amortisation, and interest and tax represent the Group's share of joint ventures' EBITDA, depreciation and amortisation, and interest and tax from the operations of toll expressways in the PRC before net exchange gain (loss), based on the profit-sharing ratios specified in the relevant joint venture agreements.

The segment results represent (i) the 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 agreement, (ii) net of the withholding tax attributed to the dividend received from and the undistributed earnings of a joint venture and (iii) amortisation of additional cost of investment 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 condensed consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Six months ended 31 December</b>			
	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2015</u> HK\$'000
Total segment results	247,501	<b>308,952</b>	311,962	<b>376,362</b>
Add:				
Net exchange gain (loss) (net of related income tax)	5,581	<b>(62,463)</b>	7,047	<b>(75,509)</b>
Withholding tax attributed to the dividend received from and the undistributed earnings of a joint venture	<u>16,589</u>	<u><b>14,145</b></u>	<u>20,906</u>	<u><b>17,262</b></u>
Share of results of joint ventures as presented in condensed consolidated statement of profit or loss and other comprehensive income	<u>269,671</u>	<u><b>260,634</b></u>	<u>339,915</u>	<u><b>318,115</b></u>



#### 4. OTHER INCOME

	Six months ended 31 December			
	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2015</u> HK\$'000
Interest income from:				
Bank deposits	16,796	<b>16,967</b>	21,176	<b>20,782</b>
Loans made by the Group to a joint venture	31,433	<b>9,166</b>	39,604	<b>11,348</b>
Net exchange gain	482	<b>2,397</b>	608	<b>2,939</b>
Management fee income from joint ventures	968	<b>1,077</b>	1,222	<b>1,329</b>
Others	432	<b>15</b>	546	<b>19</b>
	<u>50,111</u>	<u><b>29,622</b></u>	<u>63,156</u>	<u><b>36,417</b></u>

#### 5. FINANCE COSTS

	Six months ended 31 December			
	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2015</u> HK\$'000
Interests on bank loans	12,250	<b>1,631</b>	15,434	<b>2,003</b>
Other financial expenses	1,474	<b>1,004</b>	1,858	<b>1,233</b>
	<u>13,724</u>	<u><b>2,635</b></u>	<u>17,292</u>	<u><b>3,236</b></u>

## 6. SHARE OF RESULTS OF JOINT VENTURES

	Six months ended 31 December			
	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> HK\$'000	<u>2015</u> HK\$'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	309,273	<b>301,332</b>	389,813	<b>367,713</b>
Amortisation of additional cost of investments in joint ventures	(39,602)	<b>(40,698)</b>	(49,898)	<b>(49,598)</b>
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(17,151)	<b>(19,228)</b>	(21,615)	<b>(23,436)</b>
Imputed interest income recognised by the Group on interest-free registered capital contributions made by the Group	<u>17,151</u>	<u><b>19,228</b></u>	<u>21,615</u>	<u><b>23,436</b></u>
	<u>269,671</u>	<u><b>260,634</b></u>	<u>339,915</u>	<u><b>318,115</b></u>

## 7. INCOME TAX EXPENSES

	Six months ended 31 December			
	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> HK\$'000	<u>2015</u> HK\$'000
The tax charge comprises:				
PRC Enterprise Income Tax ("EIT")	13,643	<b>21,041</b>	17,158	<b>26,006</b>
Deferred tax	<u>7,829</u>	<u><b>(5,655)</b></u>	<u>9,903</u>	<u><b>(7,208)</b></u>
	<u>21,472</u>	<u><b>15,386</b></u>	<u>27,061</u>	<u><b>18,798</b></u>

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

The EIT charge of the Group for the six months ended 31 December 2015 included an amount of RMB19,800,000 (approximately HK\$24,470,000) (six months ended 31 December 2014: RMB8,760,000 (approximately HK\$11,003,000)) representing the 5% withholding tax imposed on dividends declared during the period by a joint venture of the Group of which the corresponding amount had already been provided for deferred tax in prior periods in respect of undistributed earnings of a joint venture.

## 8. DIVIDENDS

	<b>Six months ended 31 December</b>			
	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> HK\$'000	<u>2015</u> HK\$'000
Dividends paid and recognised as distribution during the period:				
Final dividend for the year ended 30 June 2015 paid of RMB8.4 cents (equivalent to HK10.1665 cents) (six months ended 31 December 2014: RMB8.1 cents (equivalent to HK10.1806 cents) for the year ended 30 June 2014) per share	249,617	<b>258,862</b>	313,735	<b>313,300</b>
Special final dividend for the year ended 30 June 2015: RMB18 cents (equivalent to HK21.7854 cents) per share (six months ended 31 December 2014: Nil)	-	<b>554,704</b>	-	<b>671,359</b>
	<u>249,617</u>	<u><b>813,566</b></u>	<u>313,735</u>	<u><b>984,659</b></u>

As at 2 February 2016, the Directors have declared that an interim dividend in respect of the year ending 30 June 2016 of RMB8.4 cents (equivalent to HK9.9737 cents) per share amounting to approximately RMB258,862,000 (approximately HK\$307,359,000) shall be paid to the shareholders of the Company whose names appear on the register of members on 22 February 2016.

As at 5 January 2015, the Directors declared that an interim dividend in respect of the year ended 30 June 2015 of RMB8.4 cents (equivalent to HK10.6376 cents) per share amounting to approximately RMB258,862,000 (approximately HK\$327,818,000) was paid to the shareholders of the Company whose names appear on the register of members on 20 January 2015.

## 9. EARNINGS PER SHARE

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

	Six months ended 31 December			
	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2015</u> HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>261,421</u>	<u>250,578</u>	<u>329,530</u>	<u>305,926</u>

	Six months ended 31 December	
	<u>2014</u> Number of shares	<u>2015</u> Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>3,081,690,283</u>	<u>3,081,690,283</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the shares during both periods presented.

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

The Group's total assets less current liabilities as at 31 December 2015 amounting to RMB6,851,984,000 (approximately HK\$8,181,269,000) (30 June 2015: RMB7,436,429,000 (approximately HK\$9,295,535,000)). The Group's net current assets as at 31 December 2015 amounting to RMB566,875,000 (approximately HK\$676,848,000) (30 June 2015: RMB1,228,236,000 (approximately HK\$1,535,293,000)).

**APPENDIX-CONSOLIDATED FINANCIAL INFORMATION  
(PREPARED UNDER PROPORTIONATE CONSOLIDATION METHOD)**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For The Six Months Ended 31 December 2015*

(FOR INFORMATION PURPOSE ONLY)

	<b>Six months ended 31 December</b>			
	<u>2014</u> RMB'000	<u>2015</u> RMB'000	<u>2014</u> HK\$'000	<u>2015</u> HK\$'000
Toll revenue	987,682	<b>1,022,636</b>	1,244,530	<b>1,246,138</b>
Revenue on construction	39,016	<b>13,636</b>	48,809	<b>16,281</b>
Turnover	1,026,698	<b>1,036,272</b>	1,293,339	<b>1,262,419</b>
Other income and other expense	84,919	<b>(30,760)</b>	107,011	<b>(36,449)</b>
Construction costs	(39,016)	<b>(13,636)</b>	(48,809)	<b>(16,281)</b>
Provision for resurfacing charges	(13,906)	<b>(17,054)</b>	(17,526)	<b>(20,784)</b>
Toll expressway operation expenses	(152,711)	<b>(134,563)</b>	(192,328)	<b>(163,832)</b>
General and administrative expenses	(58,351)	<b>(51,625)</b>	(73,453)	<b>(62,970)</b>
Depreciation and amortisation charges	(276,226)	<b>(295,892)</b>	(348,060)	<b>(360,512)</b>
Finance costs	(171,061)	<b>(126,693)</b>	(215,577)	<b>(154,584)</b>
Profit before tax	400,346	<b>366,049</b>	504,597	<b>447,007</b>
Income tax expenses	(133,852)	<b>(111,096)</b>	(168,674)	<b>(135,745)</b>
Profit for the period	<u>266,494</u>	<u><b>254,953</b></u>	<u>335,923</u>	<u><b>311,262</b></u>
Profit for the period attributable to:				
Owners of the Company	261,421	<b>250,578</b>	329,530	<b>305,926</b>
Non-controlling interests	5,073	<b>4,375</b>	6,393	<b>5,336</b>
	<u>266,494</u>	<u><b>254,953</b></u>	<u>335,923</u>	<u><b>311,262</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(FOR INFORMATION PURPOSE ONLY)

	30 June <u>2015</u> RMB'000	31 December <u>2015</u> RMB'000	30 June <u>2015</u> HK\$'000	31 December <u>2015</u> HK\$'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property and equipment	472,786	<b>510,989</b>	590,982	<b>610,120</b>
Concession intangible assets	12,155,053	<b>11,884,500</b>	15,193,816	<b>14,190,093</b>
Balance with a joint venture	310,286	<b>361,208</b>	387,858	<b>431,283</b>
Investment	4,785	<b>4,785</b>	5,982	<b>5,714</b>
	<u>12,942,910</u>	<u><b>12,761,482</b></u>	<u>16,178,638</u>	<u><b>15,237,210</b></u>
<b>Current Assets</b>				
Inventories	1,255	<b>1,372</b>	1,569	<b>1,638</b>
Deposits and prepayments	2,693	<b>4,598</b>	3,366	<b>5,490</b>
Interest and other receivables	99,194	<b>44,881</b>	123,992	<b>53,588</b>
Loans to a joint venture (Note)	406,749	-	508,436	-
Pledged bank balances and deposits of joint ventures	257,301	<b>233,694</b>	321,626	<b>279,031</b>
Bank balances and cash				
- The Group	574,012	<b>836,711</b>	717,514	<b>999,033</b>
- Joint ventures	15,125	<b>18,274</b>	18,908	<b>21,819</b>
	<u>1,356,329</u>	<u><b>1,139,530</b></u>	<u>1,695,411</u>	<u><b>1,360,599</b></u>
<b>Total Assets</b>	<u>14,299,239</u>	<u><b>13,901,012</b></u>	<u>17,874,049</u>	<u><b>16,597,809</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	6,976,694	<b>6,401,431</b>	8,750,952	<b>7,658,240</b>
Equity attributable to owners of the Company	7,247,297	<b>6,672,034</b>	9,059,121	<b>7,966,409</b>
Non-controlling interests	51,797	<b>48,270</b>	64,746	<b>57,634</b>
<b>Total Equity</b>	<u>7,299,094</u>	<u><b>6,720,304</b></u>	<u>9,123,867</u>	<u><b>8,024,043</b></u>
<b>Non-current Liabilities</b>				
Bank and other loans of joint ventures	5,009,939	<b>5,492,068</b>	6,262,423	<b>6,557,530</b>
Balance with a joint venture partner	310,236	<b>361,158</b>	387,795	<b>431,222</b>
Resurfacing obligations	121,440	<b>136,295</b>	151,801	<b>162,736</b>
Deferred tax liabilities	310,889	<b>298,368</b>	388,611	<b>356,251</b>
Other non-current liabilities	36,241	<b>51,518</b>	45,301	<b>61,513</b>
	<u>5,788,745</u>	<u><b>6,339,407</b></u>	<u>7,235,931</u>	<u><b>7,569,252</b></u>

	30 June 2015 RMB'000	31 December 2015 RMB'000	30 June 2015 HK\$'000	31 December 2015 HK\$'000
<b>Current Liabilities</b>				
Provision, other payables, accruals and deposits received	477,639	466,764	597,049	557,317
Balance with a joint venture partner	60,972	-	76,216	-
Bank loans				
- The Group	236,560	266,415	295,700	318,100
- Joint ventures	365,652	49,749	457,065	59,399
Other interest payable	7,098	7,277	8,872	8,690
Tax liabilities	63,479	51,096	79,349	61,008
	<u>1,211,400</u>	<u>841,301</u>	<u>1,514,251</u>	<u>1,004,514</u>
<b>Total Liabilities</b>	<u>7,000,145</u>	<u>7,180,708</u>	<u>8,750,182</u>	<u>8,573,766</u>
<b>Total Equity and Liabilities</b>	<u>14,299,239</u>	<u>13,901,012</u>	<u>17,874,049</u>	<u>16,597,809</u>

Note: Reconciliation of loans to a joint venture

	30 June 2015 RMB'000	31 December 2015 RMB'000	30 June 2015 HK\$'000	31 December 2015 HK\$'000
Principal amount of loans from the Group to a joint venture	788,000	-	985,000	-
Interest receivable for loans from the Group to a joint venture	25,498	-	31,872	-
Less: Elimination of the Group's proportionate share of the corresponding amounts of a joint venture	<u>(406,749)</u>	<u>-</u>	<u>(508,436)</u>	<u>-</u>
	<u>406,749</u>	<u>-</u>	<u>508,436</u>	<u>-</u>

## GLOSSARY

“Average daily full-length equivalent traffic”	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 period under review
“1H FY15”	the first half of FY15
“1H FY16”	the first half of FY16
“2H FY16”	the second half of FY16
“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” or “HHI”	Hopewell Highway Infrastructure Limited
“Director(s)”	director(s) of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EIT”	enterprise income tax
“FY07”	the financial year ended 30 June 2007
“FY08”	the financial year ended 30 June 2008
“FY09”	the financial year ended 30 June 2009
“FY10”	the financial year ended 30 June 2010
“FY11”	the financial year ended 30 June 2011
“FY12”	the financial year ended 30 June 2012
“FY13”	the financial year ended 30 June 2013
“FY14”	the financial year ended 30 June 2014
“FY15”	the financial year ended 30 June 2015
“FY16”	the financial year ending 30 June 2016
“FY17”	the financial year ending 30 June 2017
“FY18”	the financial year ending 30 June 2018
“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 company established for the GS Superhighway
“HK\$”, “HKD” or “HK Dollar(s)”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HZM Bridge”	the Hong Kong-Zhuhai-Macau Bridge
“JV”	joint venture
“km”	kilometre
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Phase I West”	Phase I of the Western Delta Route
“Phase II West”	Phase II of the Western Delta Route
“Phase III West”	Phase III of the Western Delta Route
“PRC” or “China”	the People’s Republic of China
“PRD”	Pearl River Delta
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 company established for the Western Delta Route

“Western Delta Route”              the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West

*As at the date of this announcement, the Board comprises five Executive Directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Managing Director), Mr. Alan Chi Hung CHAN (Deputy Managing Director) and Mr. Cheng Hui JIA; and three Independent Non-executive Directors namely, Professor Chung Kwong POON, Mr. Yuk Keung IP and Mr. Brian David Man Bun LI.*