



## **Hopewell Highway Infrastructure Limited**

**合和公路基建有限公司\***

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

**(Stock Code: 737)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2007**

#### **Highlights**

- Profit attributable to equity holders of the Company rose 103% to HK\$1,383 million or HK46.55 cents per share.
- Interim dividend of HK17 cents per share and special interim dividend of HK7 cents per share.
- Aggregate average daily toll revenue of Guangzhou-Shenzhen Superhighway and Phase I of the Western Delta Route was RMB9.8 million and the average daily traffic rose 5% to 363,500 vehicles.
- A gain of HK\$974 million (before taxation) from the disposal of 45% interest in the Guangzhou East-South-West Ring Road was recorded.
- Net cash on hand (for the Company but excluding jointly controlled entities) of about HK\$6,252 million as at 31st December, 2007.

#### **GROUP RESULTS**

The Board of Directors of Hopewell Highway Infrastructure Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 2007.

For the six months ended 31st December, 2007, the net toll revenue of all tolled expressways proportionately shared by the Group decreased 8% to HK\$924 million from HK\$1,004 million of the last corresponding period, mainly attributable to disposal of the 45% interest in Guangzhou East-South-West Ring Road (“ESW Ring Road”) in September 2007, the adjustment of the profit sharing ratio in the Group’s jointly controlled entity, Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (“GS Superhighway JV”) from 50% to 48% since 1st July, 2007 pursuant to the joint venture contract and the temporary closure of the South bound lanes of Xintang to Dongguan section of Guangzhou-Shenzhen Superhighway (“GS Superhighway”) for maintenance and improvement works since 18th October, 2007 until 10th January, 2008. Of the total toll revenue of the Group, GS Superhighway contributed approximately 91% or HK\$842 million,

whereas Phase I of the Western Delta Route (“Phase I West”) and ESW Ring Road contributed approximately 4% or HK\$36 million and 5% or HK\$46 million respectively.

The Group’s proportionately shared net toll revenue of all of its tolled expressways in the People’s Republic of China (the “PRC”) is set out as follows:

	<b>Six months ended 31st December</b>	
	2006 HK\$’ million	<b>2007 HK\$’ million</b>
GS Superhighway	877	<b>842</b>
Phase I West	35	<b>36</b>
ESW Ring Road	92	<b>46</b>
	1,004	<b>924</b>

Total expenses for the six months ended 31st December, 2007, including toll operation expenses, depreciation and amortisation charges, and general and administrative expenses increased to HK\$387 million, mainly due to an one-off increase in staff cost provision.

The profit attributable to equity holders of the Company increased 103% to HK\$1,383 million from HK\$682 million of the last corresponding period, mainly due to the disposal of its 45% stake in the ESW Ring Road to the PRC joint venture partner for a consideration of RMB1,712.55 million, resulting in a disposal gain of HK\$974 million (before taxation) and the appreciation of Renminbi, including an exchange gain of HK\$152 million on retranslation of the United States dollar bank loans which represents 74% of the Group’s proportionately shared loans as at 31st December, 2007 borrowed by a PRC jointly controlled entity.

On 16th March, 2007, the PRC promulgated the Law of the PRC Enterprise Income Tax (“New PRC Corporate Income Tax”) which become effective on 1st January, 2008. The tax rate for the Group’s PRC jointly controlled entities would change gradually from 18% to 25% over five years (20% in year 2009, 22% in year 2010, 24% in year 2011 and 25% in year 2012). According to this law, GS Superhighway and Phase I West joint venture companies which are currently entitled to corporate income tax holidays can continue to enjoy the remaining unutilized tax holidays until their respective expiry date. The deferred tax balances have been adjusted to increase the deferred tax expenses.

### **INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of HK17 cents per ordinary share in respect of the financial year ending 30th June, 2008 (30th June, 2007: HK15 cents). The Board of Directors has also decided to declare a special interim dividend of HK7 cents per ordinary share (30th June, 2007: nil). The interim and special interim dividends will be paid on or about 26th March, 2008 to those shareholders as registered at the close of business on 20th March, 2008.

## **CLOSURE OF REGISTER**

The Register of Members of the Company will be closed from Monday, 17th March, 2008 to Thursday, 20th March, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend and special interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14th March, 2008.

## **BUSINESS REVIEW**

### **Business Review**

For the six months ended 31st December, 2007, the aggregate average daily traffic of the Group's expressway project investments, namely GS Superhighway and Phase I West recorded a 5% increase to 363,500 vehicles and their aggregate average daily toll revenue decreased 5% to RMB9.8 million. The total toll revenue in the six months under review amounted to RMB1,806 million. The decrease in toll revenue was mainly attributable to the closure of the South bound lanes of Xintang to Dongguan section of GS Superhighway for maintenance and improvement works since 18th October, 2007. Such works were completed earlier than schedule and the affected section has been re-opened to traffic since 10th January, 2008.

In recent years, although the Central Government has imposed stringent land use approval requirements throughout the Mainland which increase the difficulty in land acquisition and site clearance as well as the time required for handover of land, the construction of Phase II of the Western Delta Route ("Phase II West") is continuously proceeding and the completion is currently planned to be by end of 2009. The preliminary work prior to the application for the project approval of the Phase III of the Western Delta Route ("Phase III West") project is underway.

On 9th August, 2007, the Group entered into an agreement with the PRC partner of the Guangzhou ESW Ring Road Company Limited ("Ring Road JV") for the sale of its entire interest in this company at a consideration of RMB1,712.55 million. The transaction was completed in September 2007, resulting in a disposal gain of HK\$974 million (before taxation).

The New PRC Corporate Income Tax has been effective since 1st January, 2008. The new tax rate will gradually increase from the current 18% to the new tax rate of 25% over five years (20% in year 2009, 22% in year 2010, 24% in year 2011 and 25% in year 2012) after 1st January, 2008. According to this law, GS Superhighway and Phase I West joint venture companies which are currently entitled to corporate income tax holidays can continue to enjoy the remaining unutilized tax holidays until their respective expiry date.

Benefiting from the continuous Renminbi appreciation, the GS Superhighway joint venture company has recorded exchange gains on retranslation of the United States dollar bank loans. The Group is in a strong financial position. As at 31st December, 2007, the Group (excluding the jointly controlled entities) has HK\$6,252 million cash on hand and the unutilized bank loan facility is about HK\$3,600 million.

## **Guangzhou-Shenzhen Superhighway**

GS Superhighway is the main artery of Pearl River Delta region's expressway network, connecting four major cities, namely Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, GS Superhighway's average daily traffic rose 5% to 336,000 vehicles as compared with the last corresponding period. Its average daily toll revenue decreased 5% to RMB9.4 million. The total toll revenue in the six months under review amounted to RMB1,734 million. The decrease in toll revenue is mainly attributable to the temporary closure of the South bound lanes of the Xintang to Dongguan section for maintenance and improvement works since 18th October, 2007. During such period, the average daily toll revenue decreased about RMB1.7 million compared with the last corresponding period and although the average daily toll revenue decreased about 17%, the daily traffic only fell about 3% indicating that the diverted vehicles returned to GS Superhighway after by-passing the closed section during the period for the maintenance and improvement works. Such works were completed earlier than schedule and the above affected section has been re-opened to traffic since 10th January, 2008. GS Superhighway JV has commenced similar maintenance and improvement works on the North bound lanes of the Xintang to Dongguan section since 18th February, 2008 and according to the current plan, the works will be completed within this financial year ending 30th June, 2008. The Group believes that such works will be beneficial to the operations of the GS Superhighway in the long term.

In relation to the additional investment of the Company incurred during the construction of the GS Superhighway, GS Superhighway JV had paid RMB725.14 million to a subsidiary of the Company in January 2008.

GS Superhighway continued to maintain its focus on traffic management. During the period under review, resources have been deployed to strengthen the patrol and rescue services and to enhance safety facilities, in order to improve emergency handling efficiency and minimize traffic congestion caused by traffic accidents. As a result, the number of fatal in accidents had been reduced in 2007.

With the continuous economic development of the Guangdong Province and the rapid increase in car ownership, the Group believes that the traffic flow and toll revenue of GS Superhighway will maintain stable growth. To cater for the increasing traffic demand, GS Superhighway JV is actively refining the feasibility study of widening GS Superhighway to total 10 lanes in dual directions.

Pursuant to the joint venture contract, the Group's profit sharing ratio has been adjusted from 50% to 48% since 1st July, 2007.

## **Phase I of the Western Delta Route**

Phase I West connects to ESW Ring Road in the north, and Shunde's National Highway 105 and Bigui Road in the south. It is currently the only expressway linking Guangzhou and Shunde.

During the past year, as the traffic diversion on Phase I West caused by a parallel-run local toll-free road in Foshan had been stabilized and the ESW Ring Road had become toll-free since mid-September 2007, Phase I West's traffic flow had notably increased and its toll revenue has resumed a growth momentum. During the period under review, Phase I West's average daily traffic increased 2% to 27,500 vehicles and its average daily toll revenue slightly decreased 1% to RMB390,000 as compared with the last corresponding period. The total toll revenue in the six months under review amounted to RMB72 million.

With the increasing number of vehicles using the Phase I West via the toll-free ESW Ring Road, the Group believes that its traffic flow and toll revenue will continue to grow.

## **Phase II and III of the Western Delta Route**

Phase II West is a 46 km expressway with total 6 lanes in dual directions, connecting to Phase I West in the north, and National Highway 105 and a proposed western expressway of Zhongshan in the south. A subsidiary of the Group (the same subsidiary as for Phase I West) owns 50% interest in this project. In recent years, although the Central Government has imposed stringent land use approval requirements throughout the Mainland which increase the difficulty in land acquisition and site clearance as well as the time required for handover of land, the construction of Phase II West is continuously proceeding and the completion is currently planned to be by end of 2009.

Phase III West is an expressway project of approximately 38 km in length connecting the Phase II West in the north to Zhuhai in the south. A subsidiary of the Group (the same subsidiary as for Phase I West) has entered into an agreement with its PRC partner (which is also the PRC partner of Phase I West and Phase II West) for the investment, construction and operation of Phase III West. The preliminary work prior to the application for the approval of the project is underway.

It is expected that upon the completion of Phase II West and Phase III West, the Western Delta Route will link up various major cities including Guangzhou, Foshan, Zhongshan and Zhuhai and will become a strategic route on the western bank of the Pearl River Delta region.

## **Hong Kong-Zhuhai-Macau Bridge Project**

As reported in the media, the Central Government is highly supportive of the Hong Kong-Zhuhai-Macau bridge project and the feasibility studies of its various aspects have substantially been completed. The Group is confident that it will be in an advantageous position to assume an important role in this project once it proceeds to the tendering stage.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

The Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to the equity holders of the Company) were 26% (30th June, 2007: 33%) and nil (30th June, 2007: 13%) respectively. The gearing structure is set out below:

	2007	
	At 30th June	At 31st December
	HK\$' million	HK\$' million
Total debt	5,818	4,385
Net debt <sup>(Note)</sup>	1,470	-
Total assets	17,425	16,711
Equity attributable to the equity holders of the Company	10,895 =====	11,679 =====
Total debt/Total assets	33%	26%
Net debt/Equity attributable to the equity holders of the Company	13% =====	0% =====

Note: Net debt is defined as total debt less bank balances and cash together with pledged bank balances and deposits.

The annual net cash inflow (after payment of dividend to the Company's shareholders and operating expenses of the Company) amounted to approximately HK\$616 million in the past 3 years ended 30th June, 2007, 2006 and 2005. For the period under review, net cash inflow amounted to HK\$2,348 million (of which HK\$1,634 million was from the disposal of the Group's 45% interest in Ring Road JV).

At 31st December, 2007, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to approximately HK\$4,142 million (30th June, 2007: HK\$5,215 million) with the following profile:

- (a) 99.9% (30th June, 2007: 99.9%) was bank loans and 0.1% (30th June, 2007: 0.1%) was other loan; and
- (b) 74% (30th June, 2007: 61%) was denominated in United States dollar, 26% (30th June, 2007: 29%) was denominated in Renminbi and nil (30th June, 2007: 10%) was denominated in Hong Kong dollar.

The net current assets of the Group increased 59% from approximately HK\$3,902 million at 30th June, 2007 to approximately HK\$6,207 million at 31st December, 2007.

In October 2005, the Group obtained a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3,600 million and the facility was undrawn at 30th June and 31st December, 2007.

At 31st December, 2007, the Group's available and undrawn facility and bank balances and cash amounted to approximately HK\$9,852 million (30th June, 2006: HK\$7,504 million). Together with stable cash dividend from the Group's jointly controlled entity, GS Superhighway JV, the Group's funding capabilities have been further strengthened for the planned and potential investment opportunities, including and in particular the Hong Kong-Zhuhai-Macau Bridge project.

### Debt Maturity Profile

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 31st December, 2007 as compared to that at 30th June, 2007 is shown as follows:

	2007	
	At 30th June	At 31st December
Repayable within 1 year	4%	6%
Repayable between 1 to 5 years	25%	25%
Repayable beyond 5 years	71%	69%

Other than the above, the Group has no other bank borrowings both at 30th June and 31st December, 2007. Bank borrowings of the jointly controlled entities carry floating interest rates.

### Interest Rate and Exchange Rate Exposures

The cash dividends received from the Group's jointly controlled entities are settled in Hong Kong dollar whereas the Group's expenses are mainly in Hong Kong dollar. Substantial portion of bank borrowings of a jointly controlled entity is denominated in United States dollar which generated an exchange gain upon retranslation of such United States dollar bank borrowings. The Group closely monitors its interest rate and foreign exchange exposure, and the use of financial instrument is strictly controlled. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures.

### Treasury Policies

The Group continues to adopt conservative treasury policies in financial and funding management. Its liquidity and financial resources are reviewed on a regular basis to minimise the cost of funding and enhance the return on financial assets. Cash is generally placed in short-term deposits denominated in United States dollar and Hong Kong dollar.

### Capital Commitments

During the six months ended 31st December, 2007, the Group had made capital contribution to Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV"), a jointly controlled entity of the Group, for development of the Phase II West amounting to approximately RMB92 million. At 31st December, 2007, the Group had outstanding commitments to make capital contribution (the total capital being 35% of the total investment) to West Route JV of approximately RMB591 million (30th June, 2007: RMB683 million), which is currently planned to be made before the end of 30th June, 2008.

At 31st December, 2007, the Group had agreed, subject to the approval of the relevant authorities, to make capital contribution (the total capital being 35% of the total investment) to West Route JV for development of the Phase III West of approximately RMB 571 million (30th June, 2007: RMB 571 million). It is currently planned that such capital contribution will be made before the end of 30th June, 2009, 30th June, 2010 and 30th June, 2011 in the proportions of 20%, 40% and 40% respectively.

At 31st December, 2007, GS Superhighway JV and West Route JV had outstanding commitments proportionately shared by the Group in respect of acquisition of property and equipment, and construction of the Phase II West contracted but not provided for totalling approximately HK\$ 2,116 million (30th June, 2007: HK\$1,426 million for GS Superhighway JV, Ring Road JV and West Route JV).

### Charges on Assets

At 31st December, 2007, certain assets of the jointly controlled entities of the Group were pledged to banks to secure general banking facilities granted to the jointly controlled entities. The carrying amounts of these assets are analysed as follows:

	<b>2007</b>	
	At 30th June HK\$' million	At 31st December HK\$' million
Toll expressways	6,973	<b>6,860</b>
Prepaid lease payments	85	<b>87</b>
Bank balances and deposits	393	<b>127</b>
Other assets	231	<b>316</b>
	7,682	<b>7,390</b>
	=====	=====

At 30th June, 2007, the toll collection right of GS Superhighway JV, 65% of the toll collection right of Phase I West and 90% of the toll collection right of Ring Road JV were pledged to banks to secure general banking facilities granted to the respective jointly controlled entity. At 31st December, 2007, the toll collection right of GS Superhighway JV, 65% of the toll collection right of Phase I West and 100% of the toll collection right of Phase II West of West Route JV were pledged to banks to secure general banking facilities granted to the respective jointly controlled entity.

### Contingent Liabilities

At 31st December, 2007, there was no material contingent liabilities for the Group since 30th June, 2007.



### **Material Acquisition or Disposal**

During the six months ended 31st December, 2007, the Group entered into an agreement with the PRC joint venture partner of Ring Road JV pursuant to which the Group agreed to sell, and this PRC joint venture partner agreed to purchase, the entire 45% interest of the Group in Ring Road JV and other rights, duties and obligations in the ESW Ring Road project for a consideration of RMB1,712.55 million.

Other than the above, there was no material acquisition or disposal of the Company's subsidiaries or associated companies.

### **OTHER INFORMATION**

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

The unaudited interim results of the Group for the six months ended 31st December, 2007 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

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

As at 31st December, 2007, the Group, excluding the joint venture companies, had a total of 41 full-time employees, with 29 in Hong Kong and 12 in the PRC. The Group continues to provide competitive remuneration packages (including various fringe benefits including medical and personal accident insurance coverage) to employees based on the market practices and individual performance. In order to motivate and retain talent, the Group's remuneration policy is to reward performance. In addition to the contractual bonus and the discretionary bonus which may be granted to the employees based on the individual performance and the Group's performance, the Group has adopted a share option scheme since 2003 and a share award scheme since 2007. The Group has granted share options and share awards to employees to recognize the contributions made by such employees of the Group, to give incentive thereto for retention purpose and to attract suitable personnel for further development of the Group.

During the period under review, the Group organized various staff activities in order to foster staff relations and communication, build up team spirit and recognize the contribution of the employees. Training programs and workshops have also been conducted on an ongoing basis for promoting employees' job knowhow and productivity.

The Company was awarded Caring Company by the Hong Kong Council of Social Service for recognizing its contribution to the community in 2007.

#### **Purchase, Sale or Redemption of Securities**

There was no purchase, sale or redemption by the Company or any of its subsidiaries of securities of the Company during the six months ended 31st December, 2007.

### **Corporate Governance**

During the period under review, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code for securities transactions by the Company’s Directors and an employees’ share dealing rule 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 unpublished price sensitive information. Based on the specific enquiries made of all Directors, each of the Directors has confirmed that he has complied fully with the required standard set out in the Model Code throughout the period under review.

### **Change of Director**

Mr. Yuk Keung IP was appointed an Independent Non-Executive Director and a member of the Audit Committee of the Company and Hopewell Holdings Limited (“HHL”) both with effect from 13th August, 2007. Due to other business commitments, Mr. IP has resigned as independent non-executive director of both the Company and HHL with effect from 29th February, 2008. The Board would like to express appreciation to Mr. IP for his contribution to the Company during his tenure of office.

On behalf of the Board

**Sir Gordon Ying Sheung WU** GBS, KCMG, FICE  
*Chairman*

Hong Kong, 28th February, 2008

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2007**

	<u>NOTES</u>	Six months ended 31st December	
		<u>2006</u> (unaudited) HK\$'000	<u>2007</u> (unaudited) HK\$'000
Turnover	3	1,004,325	923,520
Other income	4	217,707	343,109
Toll operation expenses		(71,397)	(98,657)
Depreciation and amortisation charges		(187,928)	(206,792)
General and administrative expenses		(51,915)	(81,944)
Finance costs	5	(161,109)	(163,912)
Gain on disposal of a jointly controlled entity	6	-	973,594
Profit before tax		749,683	1,688,918
Income tax expenses	7	(56,126)	(297,444)
Profit for the period	8	<u>693,557</u>	<u>1,391,474</u>
Attributable to:			
Equity holders of the Company		681,747	1,382,830
Minority interests		11,810	8,644
Profit for the period		<u>693,557</u>	<u>1,391,474</u>
Dividends paid	9	<u>504,564</u>	<u>594,065</u>
Earnings per share	10	HK Cents	HK Cents
Basic		<u>22.99</u>	<u>46.55</u>
Diluted		<u>22.98</u>	<u>46.54</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AT 31ST DECEMBER, 2007**

	30th June 2007 (audited) HK\$'000	31st December 2007 (unaudited) HK\$'000
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property and equipment	10,203,577	8,274,692
Additional investment cost in jointly controlled entities	1,705,738	1,130,465
Investment in toll expressway project under development	49,631	50,852
Prepaid lease payments	125,714	128,221
Balances with jointly controlled entities	806,231	258,753
	<u>12,890,891</u>	<u>9,842,983</u>
<b>Current Assets</b>		
Inventories	2,845	3,302
Deposits and prepayments	27,938	40,278
Other receivables	62,944	55,553
Other receivable from an joint venture partner	87,036	-
Balance with a jointly controlled entity	-	382,702
Prepaid lease payments	4,846	5,045
Pledged bank balances and deposits	392,854	127,087
Bank balances and cash		
- The Group	3,904,064	6,251,674
- Jointly controlled entities	51,121	2,021
	<u>4,533,648</u>	<u>6,867,662</u>
<b>Total Assets</b>	<u>17,424,539</u>	<u>16,710,645</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	297,033	297,040
Share premium and reserves	10,598,062	11,381,555
Equity attributable to equity holders of the Company	10,895,095	11,678,595
Minority interests	44,383	44,914
<b>Total Equity</b>	<u>10,939,478</u>	<u>11,723,509</u>
<b>Non-current Liabilities</b>		
Bank and other loans	4,995,287	3,885,706
Balances with joint venture partners	602,564	243,325
Deferred tax liabilities	255,308	197,346
	<u>5,853,159</u>	<u>4,326,377</u>
<b>Current Liabilities</b>		
Other payables, accruals and deposits received	257,449	324,539
Bank and other loans	219,776	255,803
Other payable to a jointly controlled entity	118,213	-
Other interest payable	7,530	6,760
Tax liabilities	28,934	73,657
	<u>631,902</u>	<u>660,759</u>
<b>Total Liabilities</b>	<u>6,485,061</u>	<u>4,987,136</u>
<b>Total Equity and Liabilities</b>	<u>17,424,539</u>	<u>16,710,645</u>

## NOTES

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at initial recognition, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2007.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (the "new IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1st July, 2007.

IAS 1 (Amendment)	Capital disclosures
IFRS 7	Financial instruments: disclosures
IFRIC 10	Interim financial reporting and impairment
IFRIC 11	IFRS 2 - Group and treasury share transactions

The adoption of the new IFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

IAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
IAS 23 (Revised)	Borrowing costs <sup>1</sup>
IAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
IFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
IFRS 3 (Revised)	Business combinations <sup>2</sup>
IFRS 8	Operating segments <sup>1</sup>
IFRIC 12	Service concession arrangements <sup>3</sup>
IFRIC 13	Customer loyalty programmes <sup>4</sup>
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>3</sup>

## 2. PRINCIPAL ACCOUNTING POLICIES - continued

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2008

Except for IFRIC 12 and IFRS 8, the directors anticipate that the application of these new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

IFRIC 12 "Service Concession Arrangements" applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements. Infrastructure within the scope of this interpretation shall not be recognised as property and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The Group's jointly controlled entities, as operators, have access to infrastructure to provide a public service on behalf of the grantor in accordance with the terms specified in the respective contracts. The operator shall recognise an intangible asset to the extent that it received a right to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. This interpretation requires the operator to account for its intangible asset in accordance with IAS 38 "Intangible Assets". IAS 38 requires an intangible asset with a finite economic life to be amortised over that life and the amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. The directors of the Company anticipate that the application of this interpretation will change the balance sheet presentation and disclosure of the service concession arrangements but are still in the process of assessing the impact on the results and the financial position of the Group. This interpretation is applicable to the Group and the Group will apply it for the annual periods beginning 1st July, 2008 retrospectively.

IFRS 8 "Operating segments" sets out requirements for disclosure of information about an entity's operating segments, its products and services, the geographical areas in which it operates, and its major customers. This standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The directors of the Company are still in the process of assessing the impact of adoption of this standard on the financial statements of the Group. This standard is applicable to the Group and the Group will apply it for the annual periods beginning 1st July, 2009 retrospectively.

### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the Group's proportionate share of the jointly controlled entities' toll fee income received and receivable from the operations of toll expressways, net of business tax and is analysed as follows:

	Six months ended 31st December	
	<u>2006</u>	<u>2007</u>
	HK\$'000	HK\$'000
Toll fee income	1,035,454	952,094
Business tax	<u>(31,129)</u>	<u>(28,574)</u>
	<u>1,004,325</u>	<u>923,520</u>

The Group has only one business segment, namely the development, operation and management of toll expressways in the People's Republic of China (the "PRC") through its jointly controlled entities established in the PRC.

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

### 4. OTHER INCOME

	Six months ended 31st December	
	<u>2006</u>	<u>2007</u>
	HK\$'000	HK\$'000
Imputed interest income on interest-free loan made to a jointly controlled entity	10,951	31,011
Interest income from:		
A jointly controlled entity	17,836	9,386
Bank deposits	89,219	127,268
Net exchange gain	85,765	152,482
Rental income	1,503	1,727
Management fee income from jointly controlled entities	1,756	1,255
Others	<u>10,677</u>	<u>19,980</u>
	<u>217,707</u>	<u>343,109</u>

## 5. FINANCE COSTS

	Six months ended 31st December	
	<u>2006</u>	<u>2007</u>
	HK\$'000	HK\$'000
Interest on:		
Bank loans	141,735	145,974
Loan made by an joint venture partner	150	-
Other loans wholly repayable within five years	131	-
Imputed interest on:		
Interest-free loan made by joint venture partners	12,663	26,509
Other interest-free loan	147	159
	<u>154,826</u>	<u>172,642</u>
Other financial expenses (note a)	<u>6,283</u>	<u>6,242</u>
	161,109	178,884
Less: Amounts capitalised (note b)	<u>-</u>	<u>(14,972)</u>
	<u>161,109</u>	<u>163,912</u>

### Notes:

- (a) Other financial expenses mainly represent the amortisation of the up-front fees and related charges in connection with the revolving credit and term loan facilities in the aggregate amount of HK\$3,600,000,000 offered to the Group by a syndicate of banks which is available for the period of 5 years commencing from 13th October, 2005. At 30th June, 2007 and 31st December, 2007, the Group had not utilised any part of such facilities.
- (b) Borrowing costs capitalised during the period arose on a loan made by an joint venture partner and a bank loan by applying a capitalisation rate of 5.27% per annum to expenditure on qualifying assets.

## 6. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

On 9th August, 2007, the Group entered into an agreement with the PRC joint venture partner of 廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV") a jointly controlled entity of the Group, pursuant to which the Group agreed to sell, and the PRC partner of Ring Road JV agreed to purchase, the entire 45% interest of the Group in Ring Road JV and other rights, duties and obligations in the ESW Ring Road project for a consideration of RMB1,712,550,000 or equivalent to approximately HK\$1,765,907,000. The disposal was completed in late September 2007 and the gain on disposal of a jointly controlled entity was recognised in the condensed consolidated income statement.



6. DISPOSAL OF A JOINTLY CONTROLLED ENTITY - continued

The results of Ring Road JV included in the condensed consolidated income statement for the six months ended 31st December, 2007 were as follows:

	HK\$'000
Turnover	45,516
Other income	24,441
Toll operation expenses	(16,424)
Depreciation	(11,107)
General and administrative expenses	(6,451)
Finance costs	(21,440)
Profit before tax	14,535
Taxation	(46,201)
Loss after tax	<u>(31,666)</u>

The net assets of Ring Road JV at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Property and equipment	2,206,616
Other receivables from joint venture partners	237,801
Bank balances and cash	45,995
Other current assets	2,956
Bank loans	(1,419,061)
Balances with joint venture partners	(111,681)
Deferred tax liabilities	(154,859)
Other payables, accruals and deposits received	(21,941)
Other current liabilities	(2,326)
Release of translation reserve	(76,918)
	<u>706,582</u>
Additional investment cost in jointly controlled entity	231,150
Assignment of balance with a jointly controlled entity	129,806
Assignment of other payable to a jointly controlled entity	(275,225)
	<u>792,313</u>
Gain on disposal	973,594
Total consideration	<u>1,765,907</u>
Satisfied by:	
Cash	<u>1,765,907</u>
Net cash inflow (outflow) arising on disposal:	
Cash consideration	1,765,907
Bank balances and cash disposed of	(45,995)
	<u>1,719,912</u>

7. INCOME TAX EXPENSES

	Six months ended 31st December	
	<u>2006</u>	<u>2007</u>
	HK\$'000	HK\$'000
The tax charge (credit) comprises:		
PRC Enterprise Income Tax		
- The Group	372	155,305
- Jointly controlled entity	49,773	52,065
Deferred taxation		
- Current period	5,981	(15,450)
- Effect of change in tax rate	-	105,524
	<u>56,126</u>	<u>297,444</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 PRC Enterprise Income Tax charge of the Group represents the provision of the PRC withholding tax on RMB725,140,000 additional investment cost receivable from 廣深珠高速公路有限公司 Guangzhou Shenzhen Zhuhai Superhighway Company Limited ("GS Superhighway JV"), a jointly controlled entity of the Group, amounting to approximately HK\$22,889,000 (six months ended 31st December, 2006: Nil), provision of the PRC withholding tax on disposal of interest in Ring Road JV amounting to approximately HK\$132,376,000 (six months ended 31st December, 2006: Nil) and provision of the PRC withholding tax on income received and receivable from the Group's jointly controlled entities amounting to approximately HK\$40,000 (six months ended 31st December, 2006: HK\$372,000), which are calculated at the rates prevailing in the PRC.

The PRC Enterprise Income Tax charge of the jointly controlled entity represents the Group's proportionate share of the provision for the PRC enterprise income tax of GS Superhighway JV, which is calculated at 7.5% (six months ended 31st December, 2006: 7.5%) of the estimated assessable profit for the period.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 18% (including 3% local tax) to 25% for both PRC jointly controlled entities of the Group from 1st January, 2008. On 26th December, 2007, the State Council announced the detailed measures and regulations of the New Law ("Implementation Rules"). The Implementation Rules ratcheted the PRC Enterprise Income Tax 15% rate over five years to 25% for grandfathering of incentives. It has been discussed that grandfathering would apply to both the "2+3" exemption (two year exemption from tax and three years of half the regular tax rate) or "5+5" exemption (five year exemption from tax and five years of half the regular tax rate) and for enterprises enjoying certain geographic incentive rates (often 15%). For those enterprises that paid at this 15% rate, the 15% rate would ratchet up to 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

8. PROFIT FOR THE PERIOD

	Six months ended 31st December	
	<u>2006</u>	<u>2007</u>
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Amortisation of:		
Additional investment cost in jointly controlled entities	28,711	20,325
Prepaid lease payments	2,435	2,578
Depreciation of:		
Toll expressways	148,869	173,797
Other property and equipment	7,913	10,092
Gain on disposal of property and equipment	<u>(126)</u>	<u>(22)</u>

9. DIVIDENDS

A final dividend of HK20 cents per share (year ended 30th June, 2006: HK17 cents) for the year ended 30th June, 2007 was paid to shareholders in 5th October, 2007.

The directors have declared that an interim dividend and a special interim dividend in respect of the year ending 30th June, 2008 of HK17 cents (year ended 30th June, 2007: HK15 cents) per share and HK7 cents (year ended 30<sup>th</sup> June 2007: nil) per share respectively totalling approximately HK\$712,915,000 (year ended 30th June, 2007: HK\$445,249,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 20th March, 2008.

10. EARNINGS PER SHARE

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

	Six months ended 31st December	
	<u>2006</u>	<u>2007</u>
	HK\$'000	HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>681,747</u>	<u>1,382,830</u>
	<u>Number</u>	<u>Number</u>
	<u>of shares</u>	<u>of shares</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,965,201,942	2,970,333,326
Effect of dilutive potential ordinary shares:		
Share options	425,068	653,032
Unvested shares awarded	-	517,001
Warrants	<u>942,189</u>	<u>-</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,966,569,199</u>	<u>2,971,503,359</u>

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by HHI Employee's Share Award Scheme Trust.

11. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31st December, 2007 amounted to approximately HK\$16,049,886,000 (30th June, 2007: HK\$16,792,637,000). The Group's net current assets at 31st December, 2007 amounted to approximately HK\$6,206,903,000 (30th June, 2007: HK\$3,901,746,000).

*As at the date of this announcement, the board of directors of the Company comprises eight 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), Ir. Leo Kwok Kee LEUNG, Mr. Lijia HUANG, Mr. Cheng Hui JIA and Mr. Barry Chung Tat MOK, and five independent non-executive directors namely, Mr. Philip Tsung Cheng FEI, Mr. Lee Yick NAM, Mr. Kojiro NAKAHARA, Dr. Gordon YEN and Mr. Yuk Keung IP.*

*\* for identification only*