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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 2013

Highlights

- Profit attributable to owners of the Company was RMB311 million or RMB10.09 cents per share
- GS Superhighway maintained mild growth after the Coastal Expressway fully opened on 28 December 2013
- Phase II West maintained robust growth and became profitable
- Phase III West's performance is expected to improve along with traffic and toll revenue ramp-up
- Further capital expenditure needed amounts to RMB383 million. It is sufficiently funded by the Company's solid financial position
- Benefits from robust growth of the PRC car market, which sold around 22 million vehicles in 2013

** For identification purpose only*

GROUP RESULTS

The Board is pleased to announce that the Group's unaudited interim results for the six months ended 31 December 2013 presented in RMB were as follows:

	Six months ended 31 December					
	2012			2013		
	Net toll revenue	EBIT	Results	Net toll revenue	EBIT	Results
RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Project contributions:						
GS Superhighway ^(Note 1)	745	453	306	790	472	316
Phase I West	40	26	17	45	26	18
Phase II West	115	60	(10)	139	74	1
Phase III West ^(Note 2)	-	-	-	37	11	(50)
Net toll revenue/EBIT/Net profit of projects	900	539	313	1,011	583	285
Year-on-year change				+12%	+8%	-9%
Corporate results:						
Bank deposits interest income			41			23
Interest income from loans made by the Group to a JV company			3			32
Other income			1			1
General and administrative expenses			(19)			(19)
Finance costs			(30)			(18)
Income tax expenses			(3)			(5)
			(7)			14
Profit before net exchange gain (after deduction of related income tax)			306			299
Year-on-year change						-2%
Net exchange gain (after deduction of related income tax)			10			18
Profit for the period			316			317
Profit attributable to non-controlling interests			(6)			(6)
Profit attributable to owners of the Company			310			311
Year-on-year change						+0%

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

Note 2: Phase III West was opened on 25 January 2013.

The Group's share of the aggregate net toll revenue of its expressway projects increased by approximately 12% to RMB1,011 million during the six month ended 31 December 2013, compared to RMB900 million for the same period in 2012. This was mainly due to the fact that GS Superhighway's toll revenue returned to growth, with an increase of approximately 6% year-on-year. Moreover, the toll revenue of Phase II West continued growing with average daily toll revenue exceeding its profit breakeven level of RMB1.5 million and became profitable in the first half of FY14 and the opening of Phase III West on 25 January 2013 brought new revenue contribution. The GS Superhighway, Phase I West, Phase II West and Phase III West contributed 78% (RMB790 million), 4% (RMB45 million), 14% (RMB139 million) and 4% (RMB37 million) respectively to the Group's share of aggregate net toll revenues.

The Group's share of operating expenses increased as a result of the opening of Phase III West on 25 January 2013 and the increased staff costs of the two PRC JV companies. Depreciation charges for the GS Superhighway JV and West Route JV also increased mainly as a result of the rise in traffic volume and the opening of Phase III West. However, these were offset by the rise in net toll revenue. Thus, the aggregate EBIT of toll expressways (excluding an exchange gain on the GS Superhighway JV's US Dollar and HK Dollar loans as well as related income tax expenses) increased by 8%, from RMB539 million to RMB583 million.

Due to the completion and opening of Phase III West, interest expenses in connection therewith started charging to the statement of profit or loss since the second half of FY13. Taking the increased finance costs into account, the aggregate net profit of the four projects (excluding an exchange gain on the GS Superhighway JV's US Dollar and HK Dollar loans as well as related income tax expenses) fell by 9%, from RMB313 million to RMB285 million.

The traffic and toll revenue of Phase II West have been growing strongly ever since it opened on 25 June 2010 with average daily toll revenue exceeding RMB1.5 million from July 2013 onwards (except in October when Holiday Toll-free Policy was in force) and became profitable in the first half of FY14. Despite the increased finance costs of Phase II West as a result of the shareholder's loan of RMB1,000 million advanced by the Company to Phase II West during December 2012 and January 2013, Phase II West made a profit of RMB1 million, compared to a loss of RMB10 million for the same period in 2012. The shareholder's loan was partly used to repay an intercompany loan to the GS Superhighway JV and the interest incurred, and partly used to settle outstanding project payments of Phase II West.

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 is exempt from EIT from 2010 to 2012. Its applicable rate from 2013 to 2015 is 12.5%, and this will rise to 25% from 2016 until the expiry of its contractual operation period. Phase III West is exempt from EIT from 2013 to 2015. Its applicable rate from 2016 to 2018 will be 12.5%, and this will rise to 25% from 2019 until the expiry of its contractual operation period.

As mentioned above, the Company advanced a shareholder's loan of RMB1,000 million to West Route JV for financing Phase II West in December 2012 and January 2013, which helped increase the Company's total interest income (including bank deposits and loans made to a JV company) by 25% from RMB44 million to RMB55 million. In June 2013, the Company prepaid RMB500 million out of the RMB1,000 million loan drawn for the RMB1,600 million bank loan facility of the Company and resulted in a decrease in finance costs from RMB30 million to RMB18 million. Taking into account the increase in interest income and saving of finance costs, the corporate results improved from a loss of RMB7 million to a profit of RMB14 million.

The Group's profit before the net exchange gain (after deduction of related income tax) fell by 2%, from RMB306 million to RMB299 million. This was mainly attributable to increased depreciation charges and the net loss generated by Phase III West following its opening on 25 January 2013 but substantially offset by the rise in net toll revenue. Together with an increase in the net exchange gain on the GS Superhighway JV's loans denominated in US Dollars and HK Dollars as a result of the RMB's appreciation of 3.0% during the period compared to 1.0% in the last period, the profit attributable to owners of the Company slightly increased from RMB310 million for the first half of FY13 to RMB311 million.

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 GS Superhighway JV and West Route JV.

HHI Corporate Level

	30 June 2013	31 December 2013		30 June 2013	31 December 2013
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	1,480	1,415	RMB corporate bonds	600	600
The Company's shareholder's loan to JV company ^(Note1)	1,030	1,000	RMB bank loan	500	500
Other assets	34	24	HKD bank loan	102	174
			Other liabilities	12	22
	2,544	2,439		1,214	1,296
Net assets value of HHI Corporate	1,330	1,143			

Share of JV Companies

GS Superhighway JV (HHI's shared portion)

	30 June 2013	31 December 2013		30 June 2013	31 December 2013
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	176	152	Bank loans		
Concession intangible assets	6,231	6,069	- USD	1,625	1,501
Property & equipment	230	228	- HKD	208	193
Other assets	62	27	Other loan	5	7
			Other liabilities	736	703
	6,699	6,476		2,574	2,404
Net assets value of GS Superhighway JV	4,125	4,072			

West Route JV (HHI's shared portion)

	30 June 2013	31 December 2013		30 June 2013	31 December 2013
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	187	159	Bank loans	4,011	3,999
Concession intangible assets	6,830	6,783	Shareholder's loan from the company	515	500
Property & equipment	267	257	Shareholder's loan from PRC JV partner	20	10
Other assets	280	276	Other liabilities	852	831
	7,564	7,475		5,398	5,340
Net assets value of West Route JV	2,166	2,135			
			Total liabilities	9,186	9,040
			Equity attributable to owners of the Company	7,571	7,300
			Non-controlling interests	50	50
Total Assets	16,807	16,390	Total Equity & Liabilities	16,807	16,390
Total net assets	7,621	7,350			

Note 1: The Company'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.

Impact of New International Financial Reporting Standard (“IFRS”)

IFRS 11 “Joint Arrangements” was adopted for the current financial period under review which replaced International Accounting Standard 31 “Interests in Joint Ventures”. In prior years, the results, financial position and cash flows of the Group’s two JV companies were accounted for using proportionate consolidation method. Under IFRS 11, the results, financial position and cash flows of the Group’s two JV companies are required to account for using the equity method of accounting and the Group’s condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the last corresponding period and the condensed consolidated statement of financial position as at 30 June 2013 were restated to reflect the change in accounting for the Group’s two JV companies. The change has no impact on the profit attributable to owners of the Company and the total equity of the Group. The condensed consolidated financial information prepared under proportionate consolidation method has also been presented in the Appendix on pages 54 to 56 for reference purpose.

DIVIDEND

On 2 January 2014, the Board declared an interim dividend of RMB9.8 cents (equivalent to HK12.4590 cents at the exchange rate of RMB1:HK\$1.27133 as published by The People’s Bank of China on 2 January 2014) per share in respect of the financial year ending 30 June 2014 (30 June 2013: RMB10 cents per share (equivalent to HK12.3394 cents per share)) to be paid on Wednesday, 19 February 2014 to the shareholders of the Company whose name appeared on the Company’s Register of Members at the close of business on Friday, 17 January 2014. This represents a payout ratio of 97% of the Company’s profit attributable to owners of the Company for the 6-month period ended 31 December 2013. The interim dividend will be payable in cash in RMB or HK Dollars, or a combination of these currencies, at the exchange rate of RMB1:HK\$1.27133 as published by The People’s Bank of China on 2 January 2014 and shareholders have been given the option of electing to receive the interim dividend in either RMB or HK Dollars or a combination of RMB and HK Dollars.

To make the dividend election, shareholders should complete the Dividend Election Form (if applicable) and return it to the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 7 February 2014. **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 traffic volume on the GS Superhighway, Phase I West and Phase II West increased by 12% to 612,000 vehicles, while their aggregate average daily toll revenue increased by 8% to RMB11.3 million. The growth in toll revenue was mainly because the GS Superhighway regained growth momentum after a full-year implementation of the Tariff Proposal and Phase II West recorded robust growth. Together with Phase III West which opened on 25 January 2013, the combined toll revenue of the Group's four projects grew 12% and amounted to RMB2,152 million for the period.

The average daily toll revenue of the GS Superhighway returned to a positive year-on-year growth after one year's implementation of the tariff cut. It increased by 6% to RMB9.2 million during the period and reached RMB9.5 million in December 2013. The average daily traffic of the GS Superhighway continued to grow by 8% to 465,000 vehicles and reached historical high level, mainly driven by a 9% year-on-year growth of Class 1 small cars.

Phase I West recorded healthy growth and Phase II West maintained robust growth, attributed to the synergy created with Phase III West after its opening in January 2013. During the period under review, the average daily traffic and average daily toll revenue of Phase I West grew by 17% and 11% respectively, amounted to 48,000 vehicles and RMB500,000. The average daily traffic and average daily toll revenue of Phase II West during the period were 99,000 vehicles and RMB1,560,000, representing growth of 30% and 21% respectively. Phase II West became profitable during the period. The average daily toll revenue of Phase II West has exceeded profit breakeven level of RMB1.5 million since July 2013 (except in October when the Holiday Toll-free Policy was in force), and advanced further to RMB1.7 million level in December 2013.

Performance of Phase III West was encouraging. The traffic and toll revenue has been ramping up steadily during its first 11-month operation. Phase III West recorded an average daily traffic of 19,000 vehicles and an average daily toll revenue of RMB411,000 during the period under review. In December 2013, the average daily traffic and average daily toll revenue of Phase III West reached 21,000 vehicles and RMB455,000 respectively, representing 117% and 124% growth compared with the first full month operation. During the period, total toll revenue derived from the entire Western Delta Route accounted for 22% of the Group's shared aggregate toll revenue, compared to 17% during the same period in FY13.

Based on the annual toll revenues and expenses of the GS Superhighway, Phase I West and Phase II West during their first full year of operation and the actual performance of Phase III West, the Group expects that Phase III West may achieve operating cash flow breakeven (after taking interest expense payments into account) in FY16, after its average daily toll revenue reaches RMB900,000, which is equal to an annual toll revenue of RMB8.7 million per km.

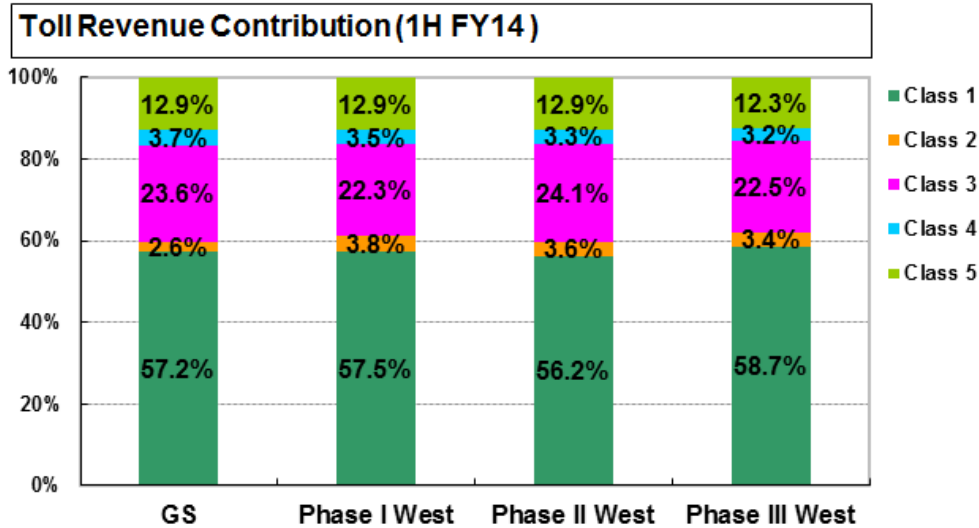
In 2013, driven by the demand in passenger cars, China has recorded double-digit growth in car sales and sold around 22 million vehicles and remained as the world's largest vehicle sales market since 2009. Given that Class 1 small cars contributed over 50% to the toll revenue of each expressway project during the period, the Company believes that the GS Superhighway and Western Delta Route will continue to benefit from the robust growth in PRC's passenger car sales market.

	1H FY13	1H FY14	% Change
Financial Year			
<i>GS Superhighway (at JV company level)</i>			
Average Daily Traffic (No. of vehicles '000)	430	465	+8%
Average Daily Toll Revenue (RMB '000)	8,702	9,222	+6%
<i>Phase I West (at JV company level)</i>			
Average Daily Traffic (No. of vehicles '000)	41	48	+17%
Average Daily Toll Revenue (RMB '000)	451	500	+11%
<i>Phase II West (at JV company level)</i>			
Average Daily Traffic (No. of vehicles '000)	76	99	+30%
Average Daily Toll Revenue (RMB '000)	1,286	1,560	+21%
<i>Phase III West* (at JV company level)</i>			
Average Daily Traffic (No. of vehicles '000)	-	19	N/A
Average Daily Toll Revenue (RMB '000)	-	411	N/A

* Phase III West opened on 25 January 2013.

Remarks

1. Aggregate average daily traffic of the GS Superhighway & Western Delta Route increased 15% year-on-year to 631,000 vehicles in 1H FY14.
2. Aggregate average daily toll revenue of the GS Superhighway & Western Delta Route increased 12% year-on-year to RMB11.7 million in 1H FY14.



Economic Environment

Instead of placing more emphasis on GDP growth, the new Chinese leadership is determined to achieve a more balanced and sustainable growth through incremental reforms. It is expected that China will undergo economic transformation in the coming years and subdued pace of growth will be tolerated in favor of structural reforms. Under this economic background, the national GDP of China and Guangdong achieved healthy growth of 7.7% and 8.5% respectively in the first three quarters of 2013. As the central economic region of the Guangdong Province, the PRD region's economy grew mightily in the same period. The GDP of three main cities namely Guangzhou, Dongguan and Shenzhen, where the GS Superhighway passed through, recorded 12.0%, 9.6% and 9.7% growth respectively, while the GDP of Foshan, Zhongshan and Zhuhai, where the Western Delta Route passed through on the western shore of the PRD region, increased by 9.7%, 9.6% and 10.1% respectively. All these cities grew better than the average of the province. The total car ownership of Guangdong reached 10.4 million vehicles in 2012 and the number further increased as there were over 560,000 vehicles newly registered during the first half of 2013 according to the media reports. The Group's expressways will benefit under the healthy economic backdrop.

Growth potential of the Western Delta Route

The Western Delta Route 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 convenient access to the Hengqin State-level Strategic New Zone, and via its connection with the forthcoming HZM Bridge, to Macau and Hong Kong. The Twelfth Five-year Plan (2011-2015) of Guangzhou, Foshan, Zhongshan and Zhuhai have revealed a medium term economic plan, targeting on an average annual GDP growth rate of 11.0%, 10.0%, 11.0% and 14.9% respectively. The future healthy economic development of the four main cities on the

western bank of the PRD region will create greater demand of transportation along the Western Delta Route.

The Western Delta Route runs along the central axis and locates at the heart 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 currently and will link up with the forthcoming HZM Bridge, Shenzhen-Zhongshan Corridor, Humen Second Bridge and Guangzhou-Gaoming Expressway (these infrastructures will be completed by 2016, 2020, 2018 and 2015 respectively, according to the media reports) to form a comprehensive regional expressway network. With reference to the experience of the GS Superhighway, the Western Delta Route's good connectivity will certainly provide continuous and stable traffic flow.

The HZM Bridge is planned to be opened by the end of 2016 according to the media reports. Cities on the western bank of the PRD region will fall into a 3-hour commuting radius from Hong Kong. The cross border tourism and freight transport between the western bank of the PRD region and Hong Kong will be stimulated due to more convenient land transport and shorter travelling time. The travelling time between Hong Kong and Zhuhai will be substantially shortened to around 30 minutes instead of spending as much as 4 hours by land or over 1 hour by sea before the opening of the bridge. With reference to the opening of the Hong Kong-Shenzhen Western Corridor in 2007, the number of cross-border license for private cars was increased to meet 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 in the long term. The HZM Bridge's opening will foster the region's economic development and integration.



Hengqin in Zhuhai has become China's third State-level Strategic New Zone after Shanghai's Pudong District and Tianjin's Binhai area. It 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 there in the coming few years. According to the media, the total investments of ongoing projects reached over RMB240 billion and one of Hengqin's signature projects, the first phase of Chimelong Ocean Kingdom will be opened before the Lunar New Year in January 2014. This will be a world-class marine park with resorts and hotels facilities aiming to attract more than 20 million tourists a year from around the world. Its opening and future expansion will further boost tourism in Hengqin and Zhuhai. The first China International Circus Festival was held in Hengqin from 20 November to 1 December 2013. This sustainable event will be held every two years thereafter. The Western Delta Route, being the most direct and the shortest expressway from Guangzhou to Hengqin, will benefit from the increase in passenger flows and the demand for transportation brought along by the development of the region.

Toll Road Policies

Guangdong Tariff Proposal

The tariff rate for all expressways in Guangdong was standardised since the implementation of the Tariff Proposal on 1 June 2012. One year after the implementation of the tariff cut, the average daily toll revenue of the GS Superhighway returned to a positive year-on-year growth of 6% during the period under review, which was the highest rate of growth during the past three financial years. Average daily traffic volume maintained an upward trend, increased by 8% year-

on-year to a historical high level of 465,000 vehicles. The impact of the Tariff Proposal on Phase I West and Phase II West was insignificant, as they have implemented the new tariff since opening.

Holiday Toll-free Policy

As the Company announced on 14 August 2012, the State Council issued the Notice Regarding the Holiday Toll-free Policy (“Notice”) on 2 August 2012. The Notice stipulates that small passenger vehicles with 7 or fewer seats should be entitled to use relevant toll roads free of charge during the four major statutory holidays, namely Lunar New Year, Ching Ming Festival, Labour Day and National Day, as well as the prescribed rest days immediately before and/or after these statutory holidays. During the period under review, the GS Superhighway, Phase I West, Phase II West and Phase III West implemented this policy during National Day holidays for 7 days, comparing to 8 days for the same holiday in FY13. Small cars with 7 or fewer seats were exempted from toll charges on the Group’s expressways during the aforesaid period. When comparing to the year without this policy (i.e. FY12), the aggregate annual toll revenues of the GS Superhighway, Phase I West and Phase II West for FY14 were estimated to be reduced by about 3% as a result of such policy, similar to its impact for FY13. The toll revenue of the GS Superhighway, Phase I West and Phase II West during 1 to 7 October 2013 increased when comparing to the same period in 2012.

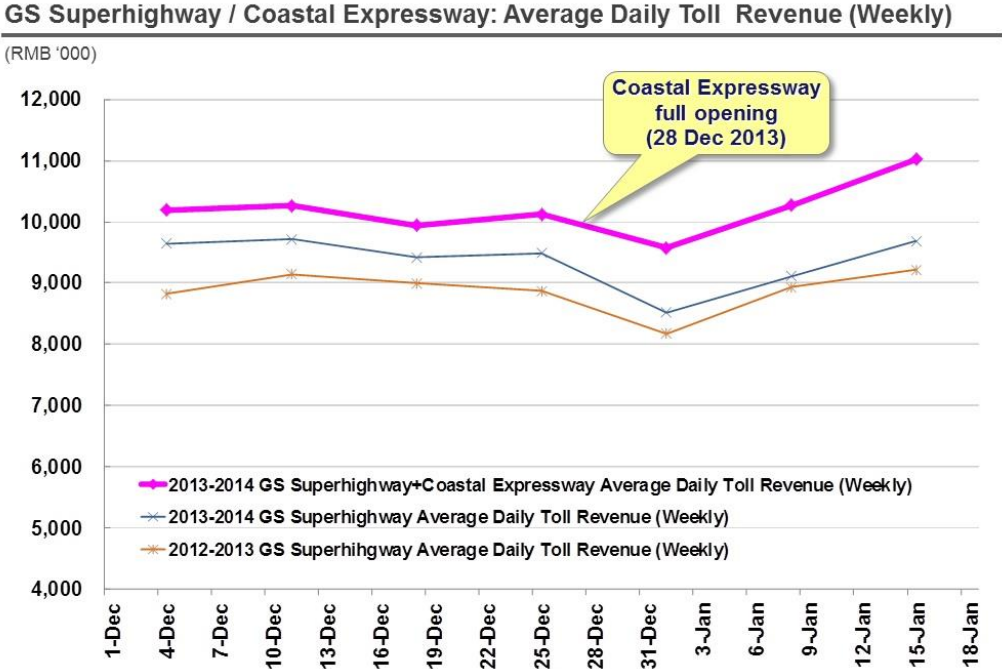
Regulation on the Administration of Toll Roads (Amendment Proposal)

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 other relevant industries. Among other matters, the draft amendments included proposed compensation terms for the operators of toll roads suffering by losses of revenue as a result of the Central Government’s implementation of the toll-free policy in the form of an extension of their toll collection periods. No additional information was released since then. The Company will closely monitor the latest developments concerning the amendments.

Full Opening of a Parallel Road

A 41-km stretch of the 59-km Guangzhou-Dongguan section of the Coastal Expressway has been opened for two years since mid-January 2012. During the period under review, the average daily traffic volume of the GS Superhighway increased by 8% year-on-year. The impact of the opening of this section of the Coastal Expressway on the GS Superhighway’s traffic was minimal so far.

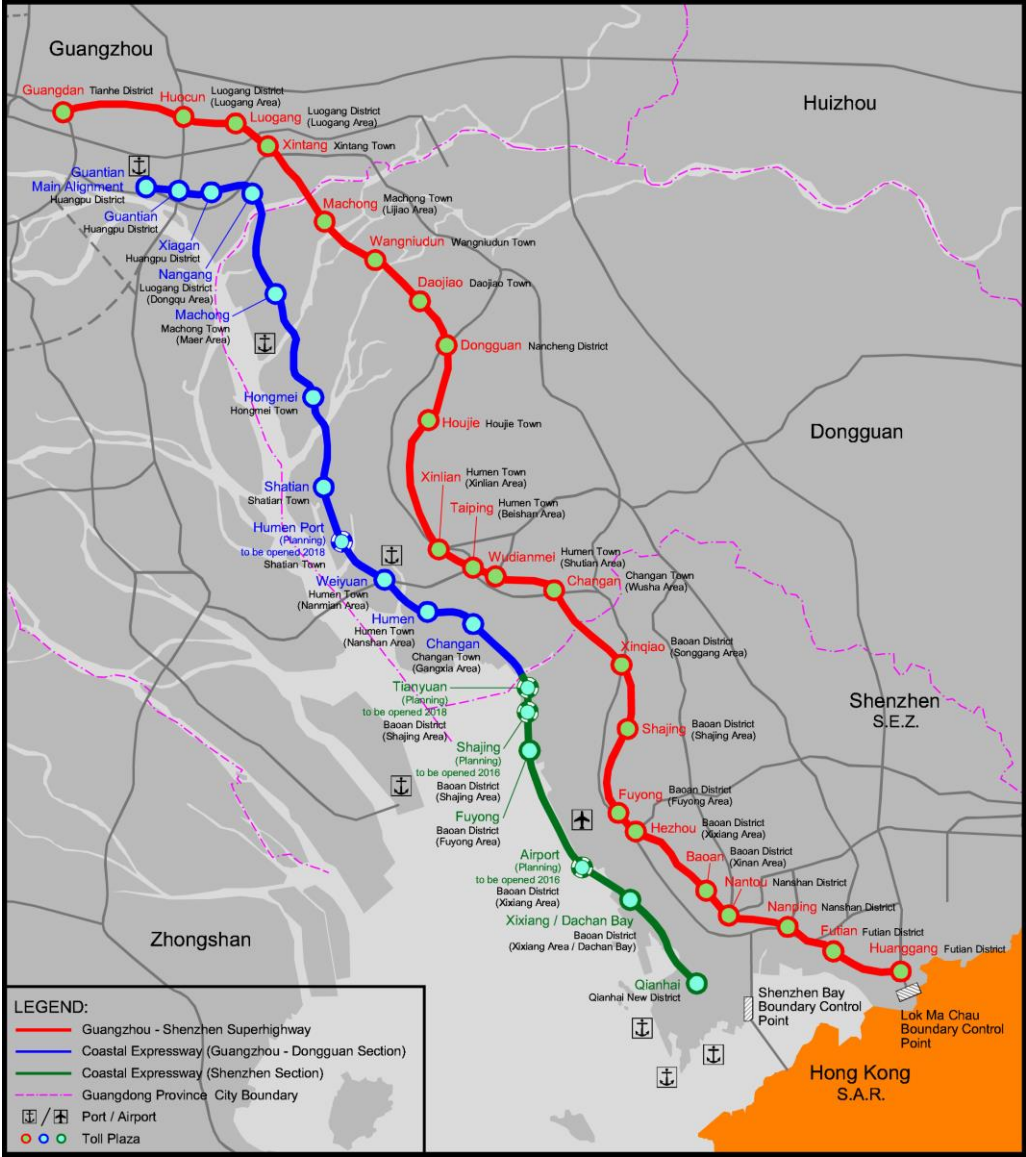
The Coastal Expressway’s 30-km Shenzhen section and the remaining 18-km Guangzhou-Dongguan section have been opened on 21 November and 28 December 2013 respectively. Hence the 89-km Coastal Expressway has been fully opened. The newly opened 18-km Guangzhou-Dongguan section is toll-free temporarily from 28 December 2013 to 6 February 2014. During 1 to 20 January 2014, the average daily traffic and average daily toll revenue of the GS Superhighway grew 6% and 4% year-on-year respectively. The impact of the full opening of the Coastal Expressway on the GS Superhighway was minimal so far, as the GS Superhighway maintained mild growth despite 18-km of the Coastal Expressway was toll-free temporarily. As of mid-January 2014, based on the average daily toll revenue, the market comprising the GS Superhighway and the Coastal Expressway grew around 10%. The Company will continue to monitor the situation. Nevertheless, a combined traffic or toll revenue data of the GS Superhighway for January and February 2014 should be taken into account when one is assessing the impact from the Coastal Expressway, as this will smooth out the seasonal fluctuation caused by Lunar New Year holiday.



There are two misconceptions concerning the GS Superhighway and the Coastal Expressway. The first is that the travelling distance between Hong Kong and Guangzhou via the GS Superhighway is longer than via the Coastal Expressway. The second is that the GS Superhighway's tariff is higher than that of the Coastal Expressway. If one includes the connecting roads at both ends of the Coastal Expressway (i.e. the Hong Kong-Shenzhen Western Corridor and the connecting roads to Hong Kong's highway networks and to Guangzhou Ring Road), the total travelling distance from Hong Kong to Guangzhou via the GS Superhighway or the Coastal Expressway differs by about 5%. More specifically, when one compares the entire length of the Coastal Expressway (from its starting point to its ending point) with that of the corresponding section of the GS Superhighway (i.e. the section between Huochun and Nantou), the travelling distances via both routes are also nearly the same. Moreover, the tariff rate for all expressways in Guangdong with 6 or more lanes has been the same since the Tariff Proposal's implementation in June 2012. Thus, there is no difference between the tariff rates of the GS Superhighway and the Coastal Expressway.



In fact, the GS Superhighway remains a more competitive option for road users. Its strategic geographical location offers convenient access to populous downtown areas and major expressways, whereas the Coastal Expressway is designed mainly to connect ports along the eastern shore of the PRD and to serve trucks destined for them. Thus, it attracts different target customers. Moreover, the GS Superhighway is well-equipped with professional patrol and rescue team which provides prompt and efficient service along the entire expressway. The Hezhou interchange has been reopened on 15 November 2013 after reconstruction, the GS Superhighway has therefore become the most convenient hub for traffic between downtown Shenzhen and Shenzhen Baoan International Airport. Together with Guangdong's continuous economic growth, the Group believes the GS Superhighway will maintain its leading position as the main traffic artery on the eastern bank of the PRD region.



Guangdong Province Toll Integration and Toll-by-weight Scheme

According to the Guangdong Provincial Government's requirements, the province's 4 toll integration sub-districts namely the Eastern, Western, Northern and Central Districts, in which the GS Superhighway and Western Delta Route are located, are planned to be integrated into a unified toll network. In order to ensure a smoother operation, Guangdong toll integration's implementation has been postponed to mid-2014 instead of the end of 2013 as prescribed in the original schedule. Upon the implementation, all adjacent expressways in Guangdong are physically connected without toll stations in-between, and every vehicle travelling on expressways in Guangdong will only need to take one entry ticket at an expressway's entrance and pay all the toll charges for its entire trip at any other expressway's exit, without needing to stop when it travels on a series of connecting expressways. The toll revenues collected by all the expressways in Guangdong will be settled via Guangdong Unitoll Collection Incorporated ("Guangdong Unitoll"), which is the clearing house that centralises and manages toll data on a daily basis, by means of the toll integration settlement network. The GS Superhighway JV and the West Route JV will invest about RMB65 million in total to upgrade their toll systems to facilitate the implementation of the Guangdong toll integration. This capital investment will depreciate over 8 years. The integration measures will boost the efficiency of the province's toll expressways by shortening the time spent on collecting tolls and help to smooth the flow of traffic.

As part of the Guangdong Provincial Government's plan to implement full toll integration, the toll-by-weight scheme will also be implemented for trucks on all expressways in the Central District by mid-2014 simultaneously, following its implementation in the Northern District in 2009 and the Eastern and Western Districts in 2011. In the experience of expressways in other toll integration sub-districts in Guangdong, the toll revenues collected from trucks usually increased following the implementation of the toll-by-weight scheme. Given the comparatively small proportion of trucks that use the GS Superhighway and the Western Delta Route, its impact on our toll revenues may be neutral.

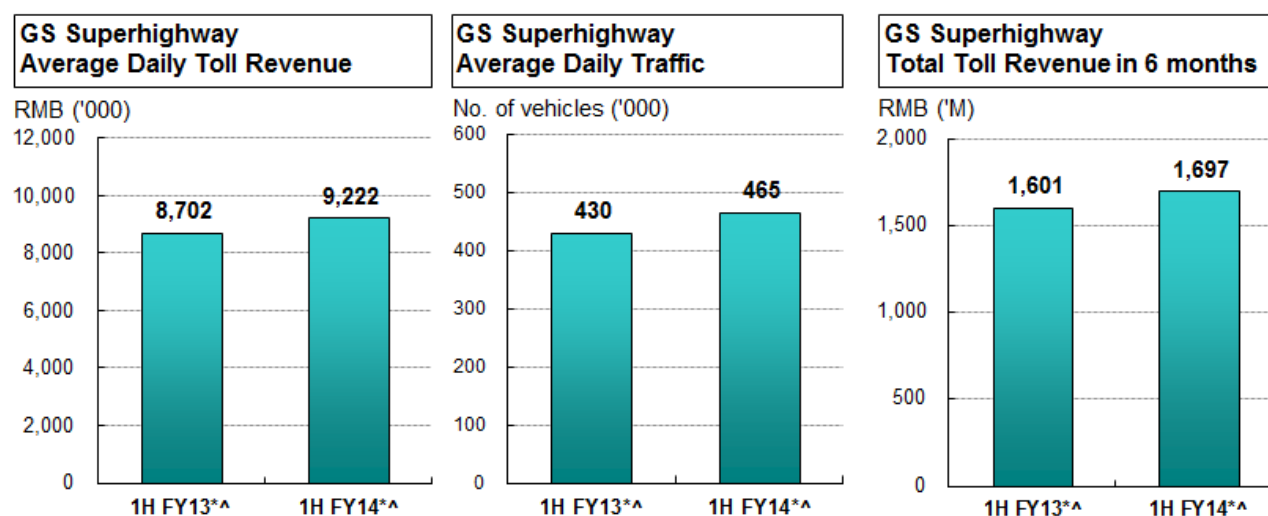
To implement the toll-by-weight scheme in accordance with the official schedule, the GS Superhighway JV and West Route JV will invest around RMB20 million in total to install the equipment. This capital investment will depreciate over 8 years. The implementation of the toll-by-weight scheme is expected to help reduce the number of overloaded trucks and the damages so caused to the Group's expressways.

Truck restriction in Guangzhou

In December 2012, the Guangzhou Municipal Government announced the implementation of restrictions on trucks that are not registered in Guangzhou and weighing 15 tons or above. Such vehicles have been prohibited from travelling on the Guangzhou Ring Road between 07:00 and 20:00 for a one-year period starting 10 January 2013. The measure had insignificant impact on the Group's expressways throughout the year when it was in force.

Guangzhou-Shenzhen Superhighway

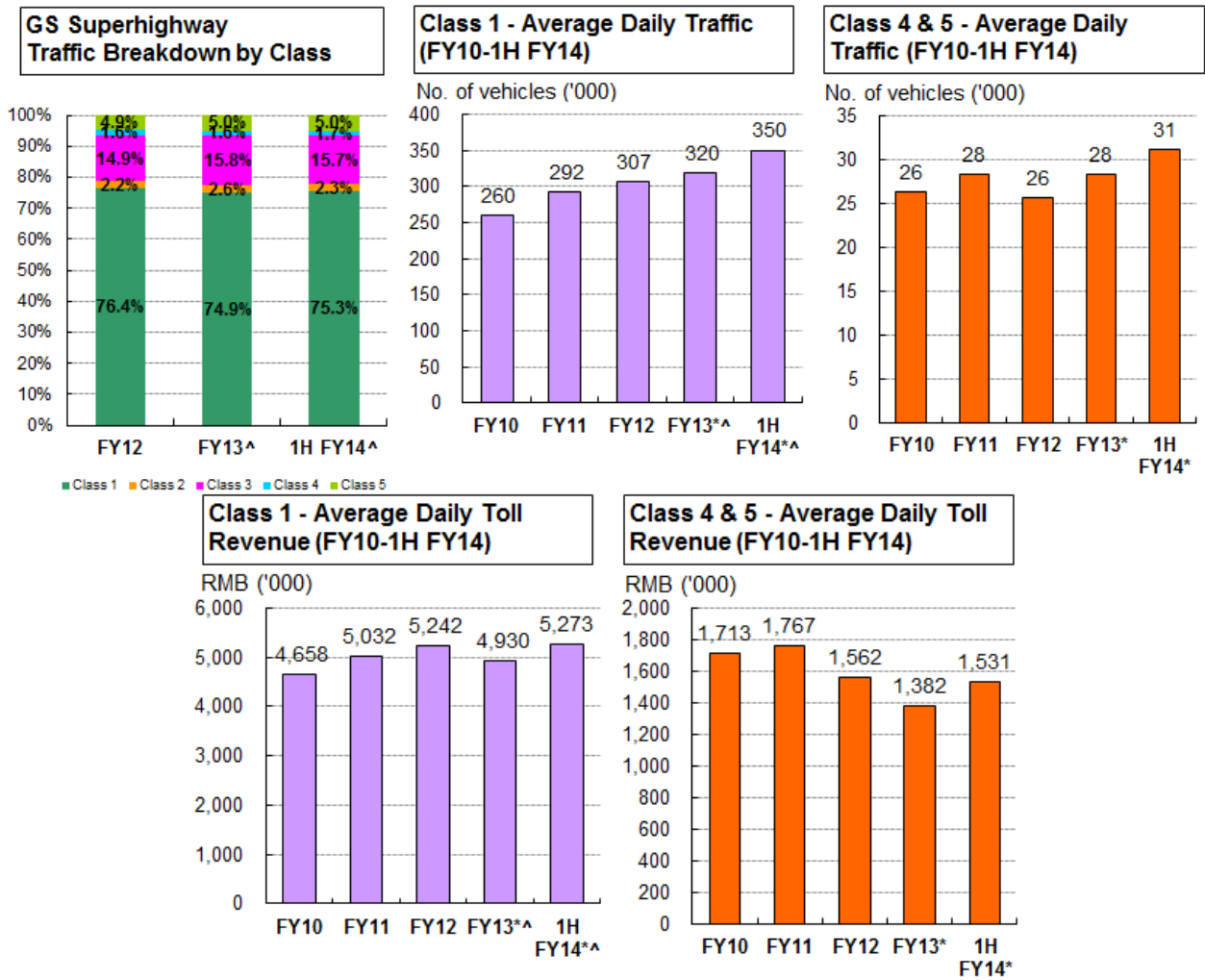
The GS Superhighway is the main expressway connecting the PRD region's three major cities – Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, its average daily toll revenue increased by 6% year-on-year to RMB9.2 million, whereas its total toll revenue amounted to RMB1,697 million. Meanwhile, its average daily traffic volume increased by 8% to 465,000 vehicles. One year after the implementation of the Tariff Proposal, the GS Superhighway's average daily toll revenue, based on the same tariff, returned to a positive growth and reached RMB9.5 million in December 2013.



* Guangdong Tariff Proposal was implemented since 1 June 2012.

^ Holiday Toll-free Policy was implemented during National Day holidays for 8 days in 1H FY13 and for 7 days in 1H FY14.

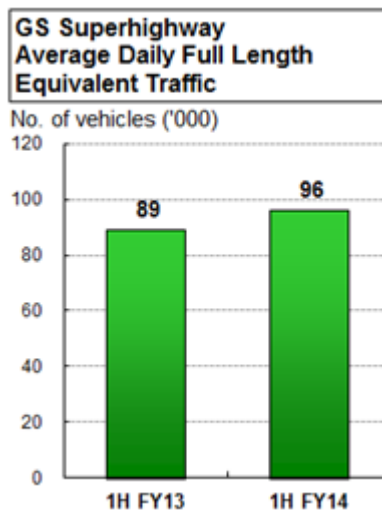
Class 1 small car traffic has benefited from the continuous growth of passenger car sales in Guangdong. It continued to grow 9% year-on-year and reached a historical high level, accounting for 75.3% of the GS Superhighway's total traffic volume. The average daily toll revenue of Class 1 small car increased by 6% year-on-year to RMB5.3 million, contributing 57.2% to the total toll revenue. The average daily traffic and average daily toll revenue of Classes 4 and 5 also grew 6% and 7% respectively. The average toll revenue per vehicle per km fell by 2%, from RMB0.79 to RMB0.77.



* Guangdong Tariff Proposal was implemented since 1 June 2012.

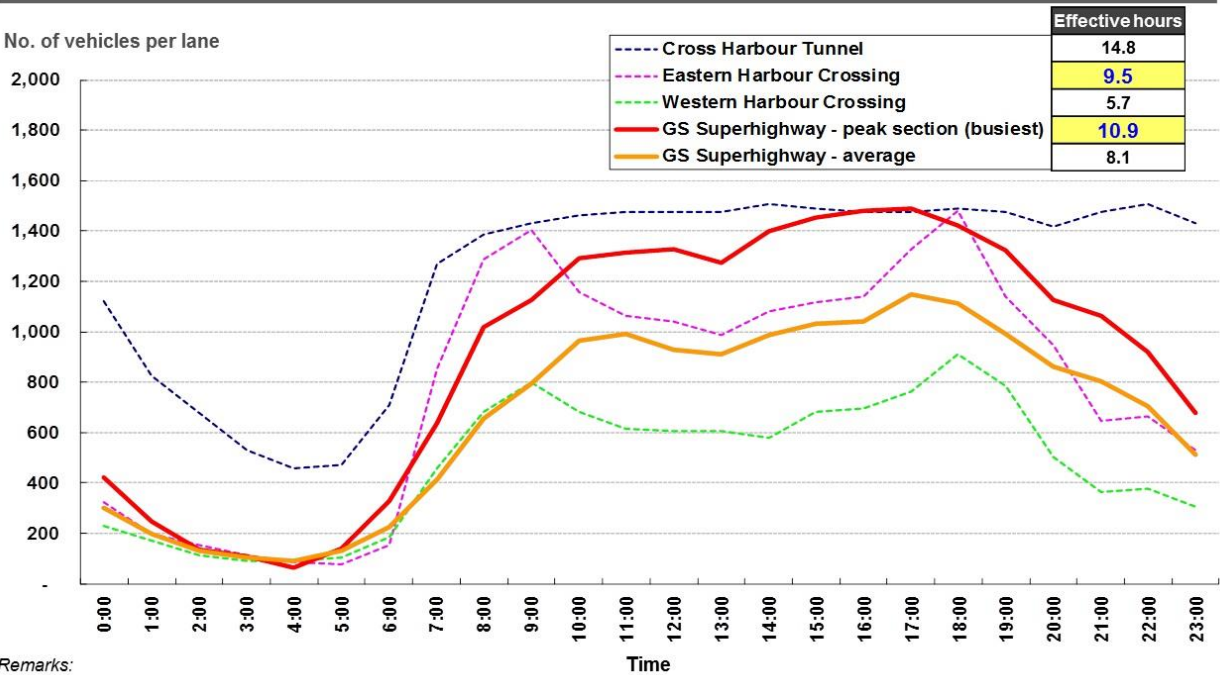
[^] Holiday Toll-free Policy was implemented for a total of 21 days in FY13 and for 7 days during National Day holidays in 1H FY14.

During the period under review, the average daily full-length equivalent traffic volume for the GS Superhighway increased by 8% year-on-year to 96,000 vehicles. This indicates there is still room for traffic to grow on the GS Superhighway.



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

GS Superhighway vs Tunnels in Hong Kong
- Average Daily Cross Sectional Traffic (per lane)*



Remarks:
 * Data being processed, only for demonstration purpose
 1) Effective hour = average daily cross sectional traffic per lane / 2000 vehicles per hour
 2) Average daily traffic distribution pattern of HK tunnels reference to "The Annual Traffic Census - 2012", Transport Department, The Government of HKSAR
 3) Average daily traffic of HK tunnels (Nov 2013): Cross Harbour Tunnel 118,000, Eastern Harbour Crossing 76,000, Western Harbour Crossing 68,000
 4) Average daily traffic of GS Superhighway (Dec 2013)

As mentioned earlier in the section headed “Full Opening of a Parallel Road”, the 41-km Guangzhou-Dongguan section of the Coastal Expressway has been opened for two years, there was minimal impact on the GS Superhighway so far. The average daily traffic volume on the GS Superhighway has increased by 8% year-on-year during the period under review. With the 30-km Shenzhen section and the remaining 18-km Guangzhou-Dongguan section opened in November 2013 and December 2013 respectively, the entire Coastal Expressway has been fully opened for traffic. Nevertheless, its impact on the GS Superhighway has also been minimal so far, as the GS Superhighway maintained mild growth despite 18-km of the Coastal Expressway was toll-free temporarily. The average daily traffic and average daily toll revenue of the GS Superhighway grew 8% and 6% year-on-year respectively in December 2013 and continued to rise 6% and 4% year-on-year respectively during 1 to 20 January 2014. The Company will continue to monitor the impact from the full opening of the Coastal Expressway on the GS Superhighway. Nevertheless, a combined traffic or toll revenue data for January and February 2014 should be taken into account when one is assessing the impact from the Coastal Expressway, as this will

smooth out the seasonal fluctuation caused by Lunar New Year holiday. The GS Superhighway is comparable in length and it charges the same tariff as the Coastal Expressway. However, the two have different target customers, and the GS Superhighway offers a number of competitive advantages, such as convenient access to populous downtown areas and major expressways, well-equipped facilities, efficient patrol and rescue team and high-quality services. Together with the continuous growth of Guangdong's economy, these factors lead the Group to believe that the GS Superhighway will maintain its leading position as the main traffic artery on the eastern bank of the PRD region.

Shenzhen Baoan International Airport was expanded by the opening of a new passenger terminal located near the Hezhou interchange on 28 November 2013. The Hezhou interchange has been reopened on 15 November 2013, after a temporary closure for reconstruction since January 2013, to capture the traffic to and fro Shenzhen Baoan International Airport directly through its connection with a smooth and convenient local road. Not only this temporary closure had a minimal impact on the GS Superhighway, but also the Hezhou interchange has since then become the most convenient hub for traffic between downtown Shenzhen and Shenzhen Baoan International Airport, and the GS Superhighway will benefit from the increased volume of passengers and freight arising.

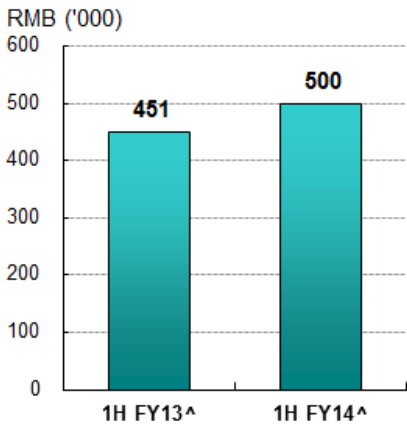
The GS Superhighway JV has been making incessant progress in increasing its operational efficiency and its ability to cope with increasing traffic by installing automated equipment in the toll lanes or entry lanes. Currently, around 60% of all the toll lanes at entrances to the GS Superhighway have ETC or automatic card-issuing machines. Furthermore, energy-saving LED lights were also installed at the toll plazas and along its entire main alignment in order to reduce energy consumption.

Phase I of the Western Delta Route

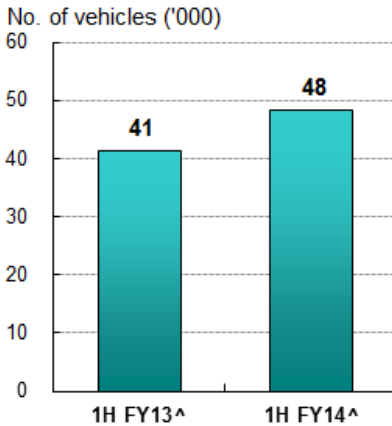
A 14.7-km closed expressway with a total of 6 lanes in dual directions, Phase I West connects with the Guangzhou East-South-West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. As the northern part of the Western Delta Route, Phase I West's synergy with Phase 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 healthily, mainly driven by a strong rise in the number of Class 1 small cars. Its average daily traffic volume increased by 17% year-on-year to 48,000 vehicles, whereas its average daily toll revenue increased by 11% to RMB500,000. Its total toll revenue amounted to RMB92 million during the period.

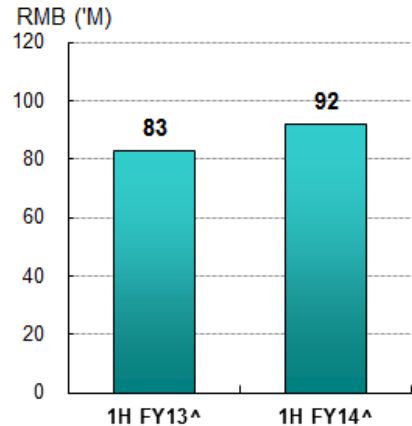
**Phase I West
Average Daily Toll Revenue**



**Phase I West
Average Daily Traffic**



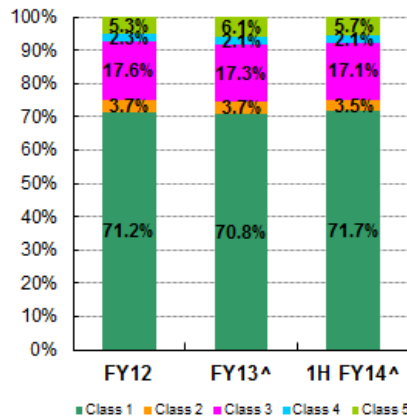
**Phase I West
Total Toll Revenue in 6 months**



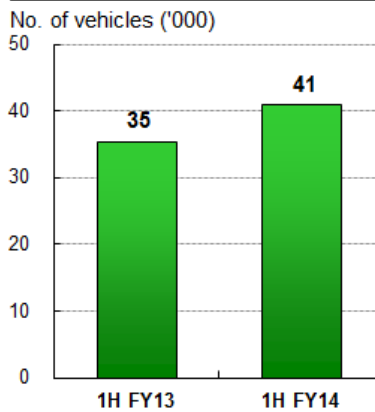
[^] Holiday Toll-free Policy was implemented during National Day holidays for 8 days in 1H FY13 and for 7 days in 1H FY14.

The traffic and toll revenue for Class 1 small cars continued to grow, accounting for 71.7% of Phase I West's total traffic volume. Meanwhile, the traffic and toll revenue for Classes 4 and 5 vehicles remained at a similar level as last year during the period. The average daily full-length equivalent traffic on Phase I West amounted to 41,000 vehicles, which represents a growth of 16%.

**Phase I West
Traffic Breakdown by Class**



**Phase I West
Average Daily Full Length
Equivalent Traffic**



[^] Holiday Toll-free Policy was implemented for a total of 21 days in FY13 and for 7 days during National Day holidays in 1H FY14.

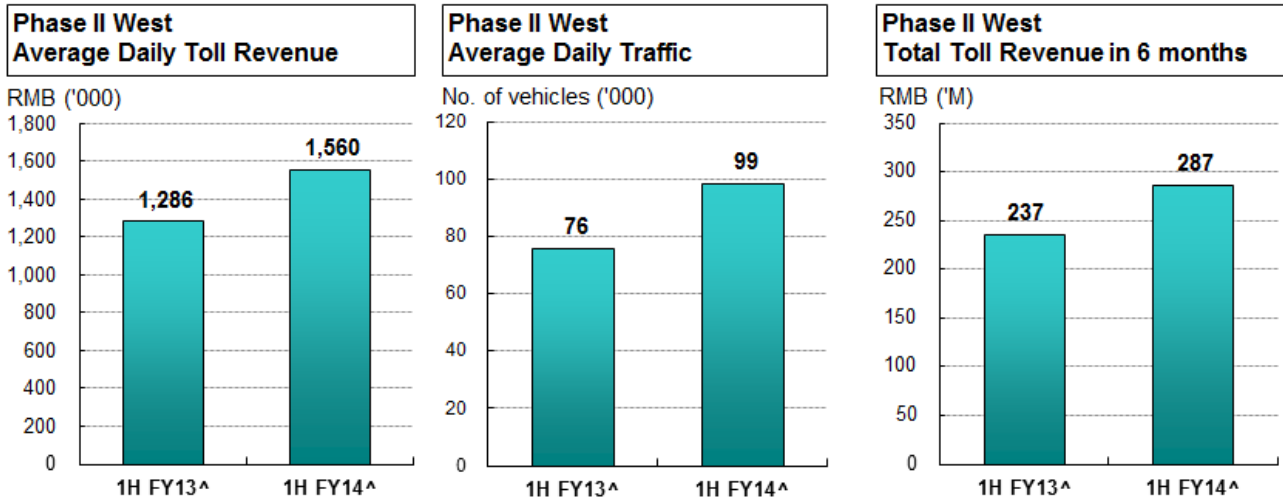
The Guangzhou Municipal Government announced the imposition of restrictions on trucks not registered in Guangzhou and weighing 15 tons or above in December 2012. These have been prohibited from travelling on the Guangzhou Ring Road between 07:00 and 20:00 for one year commencing 10 January 2013. The impact of this measure on Phase I West has been minimal. The Guangzhou Municipal Government is also currently considering the imposition of other traffic restrictions on vehicles not registered in Guangzhou during busy hours. However, the date and details of their implementation have not yet been announced. The Group will continue to

monitor the situation, and it is believed that the impact on Phase I West will be minimal.

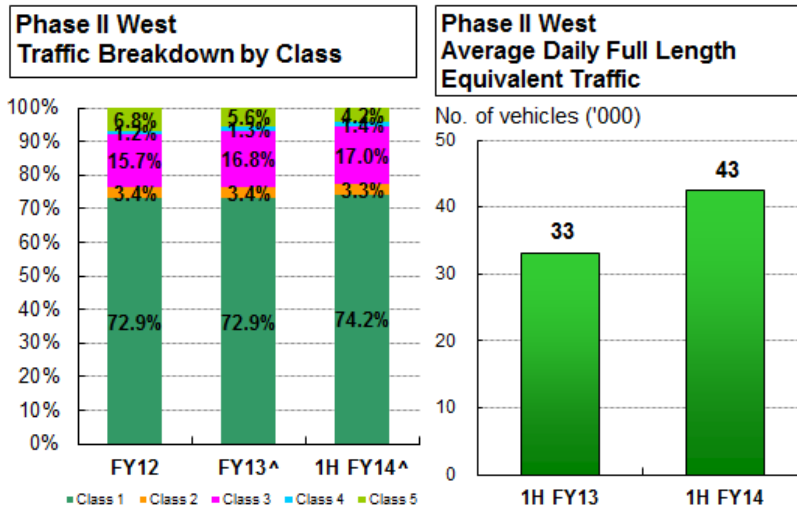
Phase II of the Western Delta Route

A 45.5-km closed expressway with a total of 6 lanes in dual directions, 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 the Jiangmen-Zhongshan Expressway, and it has a direct connection to downtown Zhongshan at its southern end. The opening of Phase III West in January 2013 marks the completion of the entire Western Delta Route, which creates synergy effect further boosting the growth of Phase II West’s traffic volume and toll revenue.

The traffic volume and toll revenue of Phase II West have continued to grow robustly ever since it opened in June 2010. During the period under review, its average daily traffic volume rose by 30% to 99,000 vehicles, whereas its average daily toll revenue grew by 21% to RMB1,560,000 and achieved profit breakeven level of RMB1.5 million. Its total toll revenue for the period amounted to RMB287 million. Class 1 small cars recorded strong growth, contributing 74.2% to the total traffic volume. The average daily full-length equivalent traffic on Phase II West amounted to 43,000 vehicles, representing a year-on-year growth of 28%.



[^] Holiday Toll-free Policy was implemented during National Day holidays for 8 days in 1H FY13 and for 7 days in 1H FY14.



[^] Holiday Toll-free Policy was implemented for a total of 21 days in FY13 and for 7 days during National Day holidays in 1H FY14.

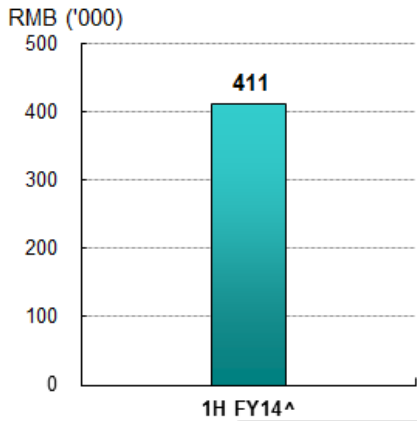
The relevant PRC authorities are currently processing the West Route JV's application to increase the investment in Phase II West to RMB7,200 million. Once approval for this has been obtained, additional registered capital can be injected into the West Route JV by the PRC partner and the Company on a 50:50 basis and additional project bank loans can be borrowed. The estimated outstanding project payments of not more than RMB500 million could be funded by shareholder's loan from the Company and the PRC partner on a 50:50 basis.

Phase III of the Western Delta Route

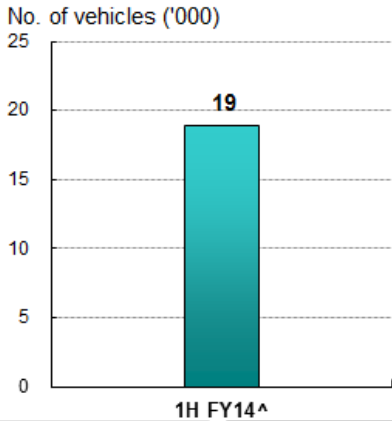
A 37.7-km closed expressway with a total of 6 lanes in dual directions, Phase III West is connected to Phase II West at Zhongshan to the north. It extends southwards to link with the Zhuhai expressway network, thus providing direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau, and the HZM Bridge, which is under construction. It provides the most direct and convenient expressway link between the city centres of Zhongshan and Zhuhai.

Phase III West's traffic volume and toll revenue have been ramping up steadily. During the period under review, its average daily traffic volume and average daily toll revenue amounted to 19,000 vehicles and RMB411,000 respectively. In December 2013, the traffic volume and toll revenue of Phase III West further reached 21,000 vehicles and RMB455,000 respectively. Its total toll revenue for the period amounted to RMB76 million. The synergy between Phase I West, Phase II West and Phase III West is expected to stimulate a persistent growth of Phase III West's traffic volume and toll revenue.

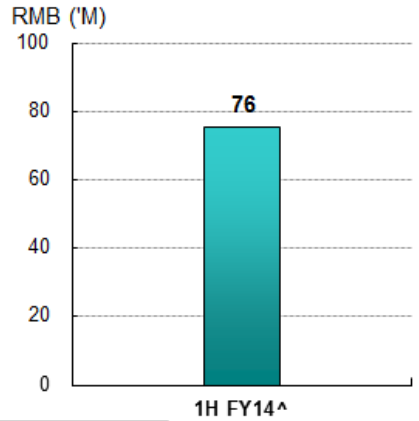
**Phase III West
Average Daily Toll Revenue**



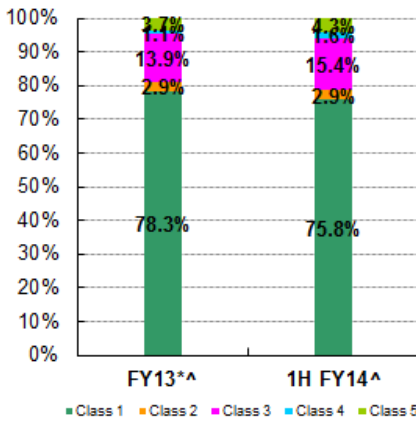
**Phase III West
Average Daily Traffic**



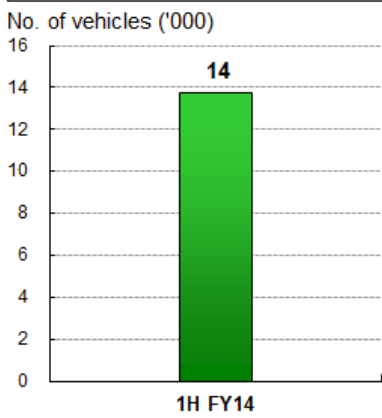
**Phase III West
Total Toll Revenue in 6 months**



**Phase III West
Traffic Breakdown by Class**



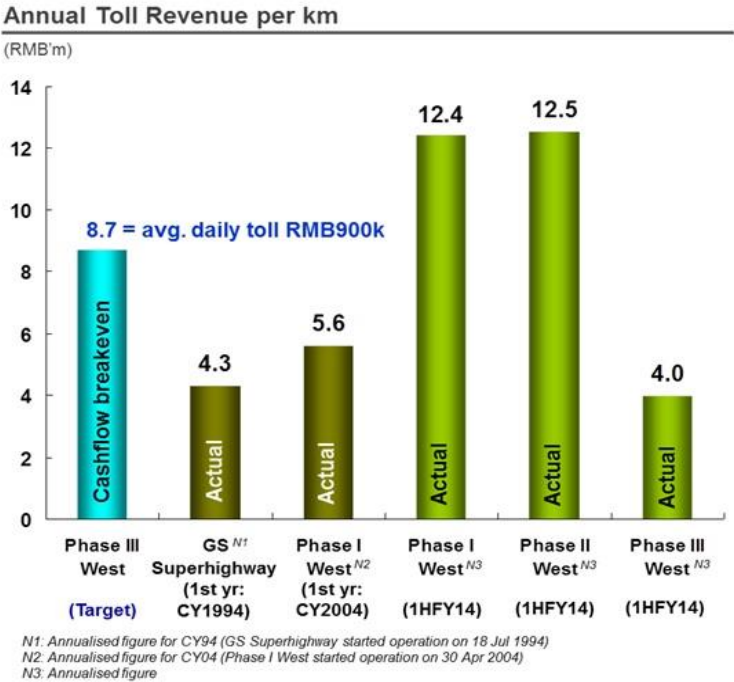
**Phase III West
Average Daily Full Length
Equivalent Traffic**



* Phase III West was opened on 25 January 2013.

^ Holiday Toll-free Policy was implemented for a total of 13 days in FY13 and for 7 days during National Day holidays in 1H FY14.

Phase III West’s performance is expected to improve along with its traffic and toll revenue ramp-up. Based on the annual toll revenues and expenses of the GS Superhighway, Phase I West and Phase II West during their first full year of operation and the actual performance of Phase III West, the Group expects that Phase III West’s toll revenue may achieve its operating cash flow breakeven target (after taking interest expense payment into account) in FY16 when its average daily toll revenue reaches RMB900,000 (the equivalent of annual toll revenue of RMB8.7 million per km). This is higher than the previous estimate of RMB850,000 due to the increase in interest expense for the RMB265 million shareholder’s loans to be injected by the Company and the PRC partner on a 50:50 basis. Yet, supported by the strong growth in Phase I West and Phase II West, the target for the West Route JV to become profitable by the second half of FY15 remains unchanged.



On the other hand, the planned total investment for Phase III West could increase from RMB5,600 million to up to RMB6,150 million, mainly because land costs may be higher than expected. The estimated outstanding project payments of not more than RMB470 million (based on a planned total investment cost of up to RMB6,150 million) will be funded by available PRC project bank loans and shareholder’s loan from the Company and the PRC partner on a 50:50 basis.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's debt balance comprised of the Company's RMB corporate bonds, 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 2013 were shown below. The Group's net cash on hand (excluding JV companies) amounted to RMB141million. The Group's net cash on hand (excluding JV companies), together with the shareholder's loan receivable from the West Route JV of RMB1,000 million, amounted to RMB1,141 million.

HHI Corporate Level

31 December 2013

	RMB million		RMB million
Bank balances and cash and shareholder's loans to JV company		Corporate debt	
– Bank balances and cash	1,415	– RMB corporate bonds	600
– The Company's shareholder's loan to JV company ^(Note 1)	1,000	– RMB bank loan	500
		– HKD bank loan	174
	2,415		1,274

Net cash^(Note 2): RMB141 million

Net cash and the Company's shareholder's loan to JV company: RMB1,141 million

Share of JV Companies

31 December 2013

	RMB million		RMB million
Bank balances and cash		Bank loans and shareholder's loans^(Note 3)	
– Bank balances and cash	311	– GS Superhighway	1,701
		– Phase I West	316
		– Phase II West	2,334
		– Phase III West	1,859
	311		6,210

Net debt: RMB5,899 million

Note 1: The Company'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: Net cash is defined as bank balances and cash less corporate debt.

Note 3: Including bank loans and the shareholder's loans to Phase II West shared by the Group.

	30 June 2013 RMB million	31 December 2013 RMB million
Total debt		
- Company and subsidiaries (including RMB corporate bonds and bank loans)	1,202	1,274
- Share of JV companies	6,217	6,047
Net debt ^(Note 1)	5,576	5,594
Total assets (including share of JV companies' total assets)	16,284	15,889
Equity attributable to owners of the Company	7,571	7,300
Total debt/total assets ratio	46%	46%
Gearing ratio	74%	77%

Note 1: Net debt is defined as total debt less bank balances and cash, together with pledged bank balances and deposits for HHI corporate level & share of JV companies.

The major source of the Group's operating cash inflow during the period under review was dividends received from the GS Superhighway JV. On the other hand, its major operating 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 2013, the Group's bank balances and cash on hand (excluding JV companies) amounted to RMB1,415 million (30 June 2013: RMB1,480 million), or RMB0.46 per share (30 June 2013: RMB0.48 per share). After netting off the Company's RMB 600 million corporate bonds and the Group's bank loans totalled RMB674 million, the Group's net cash on hand (excluding JV companies) amounted to RMB141 million (30 June 2013: RMB278 million) or RMB0.05 per share (30 June 2013: RMB0.09 per share). The drop in net cash was mainly due to the payment of a special final dividend in respect of FY13. As at 31 December 2013, the net cash on hand of RMB141 million, together with available committed undrawn banking facilities of RMB294 million, the healthy cash flow and stable cash dividends from the Company's toll expressway projects in the PRC, will provide sufficient financial resources for shareholder's loans to be provided by the Company to Phase II West and Phase III West of not more than RMB383 million (as further described below). Nevertheless, the Group is currently exploring opportunities to lower the overall finance costs of its PRC JV companies.

Group Financing

The relevant PRC authorities are currently processing the West Route JV's application to increase its investment in Phase II West to RMB7,200 million. Once approval is obtained, additional registered capital will be injected into the West Route JV by the PRC partner and the Company on a 50:50

basis and additional project bank loans can be borrowed. To settle the outstanding project payments for Phase II West and make efficient use of the Company's internal resources, shareholder's loan of RMB1,000 million was advanced by the Company to the West Route JV as interim financing for Phase II West and remained outstanding as of 31 December 2013. The Company will continue to provide financial support to the West Route JV until Phase II West's increased investment is approved and additional project bank loans can be obtained. In December 2012, the West Route JV used the shareholder's loan provided by the Company to repay in full the intercompany borrowings of RMB731 million to the GS Superhighway JV, and to settle the outstanding project payments of Phase II West. As at 31 December 2013, the estimated outstanding project payments for Phase II West amounted to not more than RMB500 million, which will fully be covered by available shareholder's loans from the Company and the PRC partner on a 50:50 basis.

The planned total investments for Phase III West could increase from RMB5,600 million to RMB6,150 million, mainly because the land costs may be higher than planned. The project is adequately funded by registered capital, available banking facilities and shareholder's loans. The Group had already contributed the full amount of registered capital (a total of RMB980 million) 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 repaid in full by the West Route JV, RMB500 million in FY12 and the remaining balance of RMB30 million during the period under review. As at 31 December 2013, the estimated outstanding project payments for Phase III West amounted to not more than RMB470 million (based on planned total investment cost of up to RMB6,150 million), which will be funded by available PRC project bank loan and shareholder's loans by the Company and the PRC partner on a 50:50 basis.

The Group has well arranged the financial resources for the funding requirements of the West Route JV, given that the Company issued RMB600 million corporate bonds in May 2011 (which will mature in May 2014); signed a RMB1,600 million loan facility agreement in May 2012 (which will mature in May 2015 and of which RMB500 million was outstanding as at 31 December 2013); received net proceeds of RMB375 million from the placement of RMB-traded shares in October 2012 and also signed a HK\$300 million loan facility agreement in June 2013 (which will mature in June 2016) and of which HK\$223 million or RMB equivalent 174 million was drawn as at 31 December 2013.

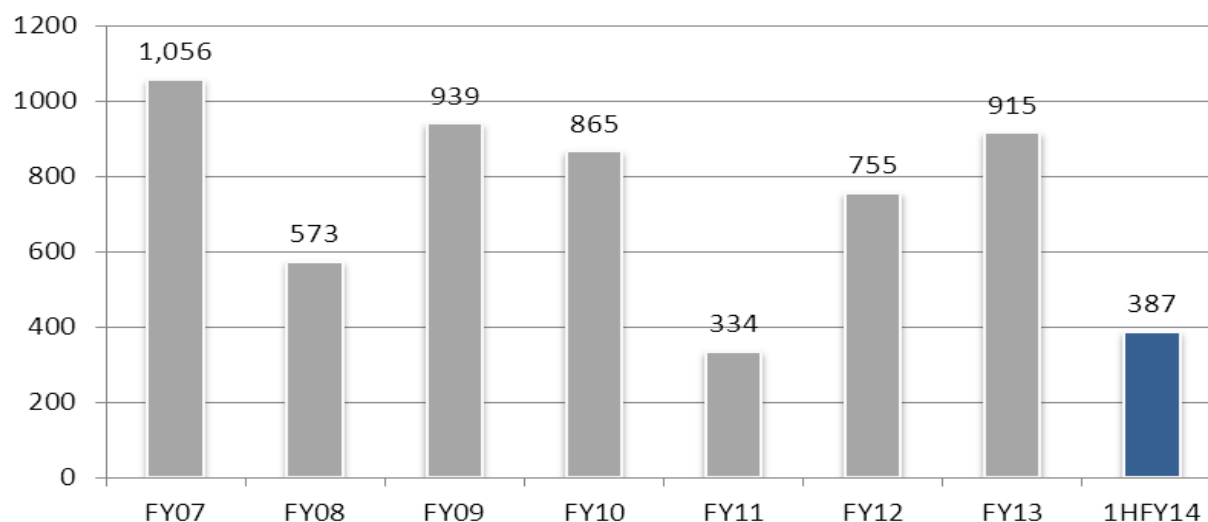
31 December 2013 (JV level)	Planned Investment RMB million	Estimated outstanding project payments RMB million	Available Funding[^] RMB million		The Group's injection RMB million
Phase II West	7,200	Not more than 500	500	Shareholder's loan*	Not more than 250
Phase III West	6,150	Not more than 470	205	PRC bank loans	-
			265	Shareholder's loan*	Not more than 133
Total					Not more than 383

* Will be funded by the Company and the PRC partner on a 50:50 basis

[^] Current planning, subject to change

Further capital expenditure of the Company will be not more than RMB383 million, which is for the Phase II West and the Phase III West. This is sufficiently funded by the Group's net cash on hand (excluding JV companies) of RMB141 million and available committed undrawn banking facilities of RMB294 million. Together with the stable cash dividends from the Group's toll expressways, they will also provide sufficient financial resources for the Group.

Cash Dividends (Net of Tax) from the GS Superhighway JV (RMB million)



As at 31 December 2013, 99.9% (30 June 2013: 99.9%) of the Group's bank balances and cash (excluding JV companies) on hand were denominated in RMB and 0.1% (30 June 2013: 0.1%) in HK Dollars. The bank balances and cash on hand of the JV companies shared by the Group amounted to RMB311 million (30 June 2013: RMB363 million). The Group received cash dividends from the GS Superhighway JV of RMB387 million, RMB915 million, RMB755 million, RMB334 million, RMB865 million, RMB939 million, RMB573 million and RMB1,056 million during the six months ends 31 December 2013, FY13, FY12, FY11, FY10, FY09, FY08 and FY07, respectively. The reductions in the cash dividends during FY11 and FY08 were mainly brought about by the intercompany borrowings provided by the GS Superhighway JV to the West Route JV in respect of Phase II West and the repatriation of registered capital by the GS Superhighway JV to the Company respectively. The cash dividends from the GS Superhighway JV were restored to their normal levels in FY12. The cash dividends increased during FY13 as the 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 Company out of these funds. The cash dividends received and receivable from the GS Superhighway JV make the Group confident that it has sufficient financial resources for its recurring operational activities, as well as its existing and potential investment activities. In anticipation of the full repayment of the existing bank loans of the GS Superhighway JV in 2019, the Group expects the GS Superhighway JV's cash flow will improve and the amount of cash dividends to be received by the Group will increase substantially thereafter.

In view of its current operating cash flow and strong financial position, the Board believes that the Group's target payout ratio of around 100% on full-year basis is sustainable.

Bank and other Borrowings

As at 31 December 2013, the total bank and other borrowings of the JV companies shared by the Group (including US Dollars bank loans of equivalent to RMB1,501 million, HK Dollars bank loan of equivalent to RMB193 million, RMB bank loans of RMB3,999 million and RMB other borrowing of RMB7 million and excluding shareholder's loans), together with the RMB600 million corporate bonds and RMB500 million term loan raised by the Company and the Group's HK Dollars bank loan of equivalent to RMB174 million, amounted to approximately RMB6,974 million (30 June 2013: RMB7,051 million) with the following profile:

- (a) 91% (30 June 2013: 91%) consisted of bank loans and 9% (30 June 2013: 9%) of other loans (including RMB corporate bonds with a total value of RMB600 million (30 June 2013: RMB600 million)); and
- (b) 22% (30 June 2013: 23%) was denominated in US Dollars; 73% (30 June 2013: 73%) was denominated in RMB and 5% (30 June 2013: 4%) was denominated in HK Dollars.

Debt Maturity Profile

As at 31 December 2013, the maturity profile of the bank and other borrowings of the JV companies shared by the Group (excluding shareholder's loan), RMB corporate bonds and RMB term loan raised by the Company, together with the Group's bank loans, were shown below, together with the corresponding figures as at 30 June 2013:

HHI Corporate Level

	30 June 2013		31 December 2013	
	RMBmillion	%	RMB million	%
Repayable within 1 year ^(Note 1)	702	58%	600	47%
Repayable between 1 and 5 years ^(Note 1)	500	42%	674	53%
	1,202	100%	1,274	100%

Share of JV Companies

	30 June 2013		31 December 2013	
	RMBmillion	%	RMB million	%
Repayable within 1 year	252	4%	255	4%
Repayable between 1 and 5 years	1,755	30%	1,933	34%
Repayable beyond 5 years	3,842	66%	3,512	62%
	5,849	100%	5,700	100%

Note 1: RMB corporate bonds with a total value of RMB600 million will mature in May 2014, and the RMB term loan of RMB500 million will become due in May 2015.

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 maintained at 99.9% as at 31 December 2013. It has therefore maintained the proportion of its RMB bank deposits to that of its HK Dollar deposits. As there were two cuts in RMB deposit interest rates in the PRC in June and July 2012, the Group's overall treasury yield on bank deposits dropped to 2.99%, compared to 3.25% during the same period in 2012. 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 and Other Commitments

As at 30 June 2013, the Group had agreed, subject to the approval by the relevant authorities, to make additional capital contributions of approximately RMB402.5 million (30 June 2012: RMB402.5 million) to the West Route JV for the development of Phase II West. It currently plans, subject to the approval by the relevant authorities, to make these capital contributions during FY14.

Pledge of Assets

As at 31 December 2013, 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 2013 RMB million	31 December 2013 RMB million
Concession intangible assets	5,767	5,620
Property and equipment	230	228
Inventories	2	1
Interest and other receivables	58	19
Bank balances and deposits	328	278
	6,385	6,146

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 2013, 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 six months ended 31 December 2013.

OTHER INFORMATION

Review of Interim Results

The Group's unaudited interim results for the six months ended 31 December 2013 have been reviewed by the Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

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 provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 31 December 2013, the Group, excluding the joint venture companies, had 28 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family-friendly employment policies and practices. The Group has arranged stress management workshops and Employees Assistance Program for employees, which were delivered by professionals who shared their experiences and methods handling 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 kinds of seminars and workshops for the employees to enhance their awareness towards corporate governance.

The Group's training programmes are designed and tailor-made to increase the knowledge of its employees 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 individual interests 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 and educational sponsorships. During the period, the Group organised a number of seminars on subjects like counselling and crisis management, MPF investment management, cross-border insurance arrangement, by external consultants or service providers to enhance employees' general knowledge in the topics concerned.

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 2013.

Corporate Governance

During the period under review, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules except for the deviation from code provision A.5.1 of the Corporate Governance Code which requires the establishment of a nomination committee, with explanation described 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 and composition. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director(s) will normally be made by the Chairman and/or the 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).

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 unpublished price sensitive information. Having made specific enquiry with 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 GBS, KCMG, FICE
Chairman

Hong Kong, 27 January 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended 31 December 2013

	<u>NOTES</u>	<u>2012</u> (unaudited) (restated) RMB'000	<u>2013</u> (unaudited) RMB'000	<u>2012</u> (unaudited) (restated) HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2013</u> (unaudited) HK\$'000
Other income and other expense	4	45,630	56,414	56,144	71,515
Depreciation		(418)	(92)	(514)	(116)
General and administrative expenses		(18,692)	(18,729)	(22,982)	(23,739)
Finance costs	5	(29,964)	(18,101)	(36,837)	(22,946)
Share of results of joint ventures	6	339,890	322,487	419,133	409,775
Profit before tax		336,446	341,979	414,944	434,489
Income tax expenses	7	(20,987)	(25,089)	(25,878)	(31,864)
Profit for the period	8	315,459	316,890	389,066	402,625
Other comprehensive income					
Item will not be reclassified to profit or loss:					
Exchange gain arising on translation to presentation currency		-	-	177,711	131,499
Item that may be subsequently reclassified to profit or loss:					
Exchange gain arising on translation of foreign operations		576	4,071	-	-
Total comprehensive income for the period		316,035	320,961	566,777	534,124
Profit for the period attributable to:					
Owners of the Company		309,845	310,837	382,141	394,933
Non-controlling interests		5,614	6,053	6,925	7,692
		315,459	316,890	389,066	402,625
Total comprehensive income for the period attributable to:					
Owners of the Company		310,421	314,908	558,574	525,566
Non-controlling interests		5,614	6,053	8,203	8,558
		316,035	320,961	566,777	534,124
Earnings per share	10	RMB Cents	RMB Cents	HK Cents	HK Cents
Basic and diluted		10.32	10.09	12.72	12.82

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<u>NOTES</u>	30 June 2013 (restated) RMB'000	31 December 2013 (unaudited) RMB'000	30 June 2013 (restated) HK\$'000	31 December 2013 (unaudited) HK\$'000
ASSETS					
Non-current Assets					
Interests in joint ventures	11	6,255,942	6,228,029	7,901,255	7,978,105
Loans to a joint venture	12	1,000,000	1,000,000	1,263,000	1,281,000
Investment		4,785	4,785	6,044	6,130
Property and equipment		427	437	540	560
		<u>7,261,154</u>	<u>7,233,251</u>	<u>9,170,839</u>	<u>9,265,795</u>
Current Assets					
Deposits and prepayments		3,908	4,800	4,936	6,149
Interest and other receivables		176,328	125,996	222,701	161,401
Loans to a joint venture	12	30,000	-	37,890	-
Interest receivable from a joint venture	12	15,612	1,879	19,718	2,407
Bank balances and cash		1,480,436	1,414,802	1,869,790	1,812,361
		<u>1,706,284</u>	<u>1,547,477</u>	<u>2,155,035</u>	<u>1,982,318</u>
Total Assets		<u><u>8,967,438</u></u>	<u><u>8,780,728</u></u>	<u><u>11,325,874</u></u>	<u><u>11,248,113</u></u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	13	270,603	270,603	308,169	308,169
Share premium and reserves		7,300,132	7,029,519	9,253,670	9,043,288
Equity attributable to owners of the Company		7,570,735	7,300,122	9,561,839	9,351,457
Non-controlling interests		49,860	49,523	62,973	63,438
Total Equity		<u>7,620,595</u>	<u>7,349,645</u>	<u>9,624,812</u>	<u>9,414,895</u>
Non-current Liabilities					
Bank loans		500,000	674,005	631,500	863,400
Deferred tax liabilities	14	132,673	134,927	167,566	172,842
		<u>632,673</u>	<u>808,932</u>	<u>799,066</u>	<u>1,036,242</u>
Current Liabilities					
Other payables, accruals and deposits received		9,385	9,503	11,853	12,173
Bank loans		101,821	-	128,600	-
Corporate bonds	15	600,000	600,000	757,800	768,600
Other interest payable		1,500	11,494	1,894	14,725
Tax liabilities		1,464	1,154	1,849	1,478
		<u>714,170</u>	<u>622,151</u>	<u>901,996</u>	<u>796,976</u>
Total Liabilities		<u>1,346,843</u>	<u>1,431,083</u>	<u>1,701,062</u>	<u>1,833,218</u>
Total Equity and Liabilities		<u><u>8,967,438</u></u>	<u><u>8,780,728</u></u>	<u><u>11,325,874</u></u>	<u><u>11,248,113</u></u>
Time deposits with original maturity over three months					
		-	1,248,435	-	1,599,245
Cash and cash equivalents		1,480,436	166,367	1,869,790	213,116
Total bank balances and cash		<u>1,480,436</u>	<u>1,414,802</u>	<u>1,869,790</u>	<u>1,812,361</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2013

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 ("IAS") 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.

Except as described below, the accounting policies and the methods of computation adopted in the preparation of the condensed consolidated financial statements for the six months ended 31 December 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle
IFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures

Except as described below, the application of the above new or revised IFRSs in the current interim period has had no material effect on the amounts reported and /or disclosures set out in these condensed consolidated financial statements.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 “Interests in Joint Ventures”, and the guidance contained in a related interpretation, SIC-Int 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, joint arrangements are classified as joint operations and joint ventures, determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The Directors reviewed and assessed the classification of the Group’s investments in joint arrangements in accordance with the requirements of IFRS 11. The Directors concluded that the Group’s investments in Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (“GS Superhighway JV”) and Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (“West Route JV”), which were classified as jointly controlled entities under IAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under IFRS 11 and accounted for using the equity method. The change in accounting of the Group’s investments in GS Superhighway JV and West Route JV has been applied in accordance with the relevant transitional provisions set out in IFRS 11. The initial investments as at 1 July 2012 for the purposes of applying the equity method are measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated. Also, the Directors performed an impairment assessment on the initial investment as at 1 July 2012 and concluded that no impairment loss is required. Comparative amounts for the six months ended 31 December 2012 and as at 30 June 2013 have been restated to reflect the change in accounting for the Group’s investments in GS Superhighway JV and West Route JV.

***Amendments to IAS 34 Interim Financial Reporting
(as part of the Annual Improvements to IFRSs 2009-2011 Cycle)***

The Group has applied the amendments to IAS 34 “Interim Financial Reporting” as part of the Annual Improvements to IFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the condensed consolidated financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Since the assets and liabilities of the Group’s reportable segments are not regularly provided to the chief operating decision maker, the Group has not included total assets and liabilities information as part of segment information.

Summary of the effect of the above changes in accounting policy

The effect of the change in the Group’s accounting policy described above on the results of the Group for the preceding interim period by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income is as follows:

	For the six months ended 31 December 2012 <u>(originally stated)</u>	<u>Adjustments</u>	For the six months ended 31 December 2012 <u>(restated)</u>
	RMB'000	RMB'000	RMB'000
Toll revenue	900,474	(900,474)	-
Revenue on construction	671,555	(671,555)	-
Other income and other expense	80,383	(34,753)	45,630
Construction costs	(671,555)	671,555	-
Provision for resurfacing charges	(11,325)	11,325	-
Toll expressway operation expenses	(124,745)	124,745	-
Depreciation and amortisation charges	(218,885)	218,467	(418)
General and administrative expenses	(50,423)	31,731	(18,692)
Finance costs	(117,576)	87,612	(29,964)
Share of results of joint ventures	-	339,890	339,890
Income tax expenses	(142,444)	121,457	(20,987)
Profit for the period	<u>315,459</u>	<u>-</u>	<u>315,459</u>

(FOR INFORMATION PURPOSE ONLY)

	For the six months ended 31 December 2012 <u>(originally stated)</u>	<u>Adjustments</u>	For the six months ended 31 December 2012 <u>(restated)</u>
	HK\$'000	HK\$'000	HK\$'000
Toll revenue	1,110,852	(1,110,852)	-
Revenue on construction	835,414	(835,414)	-
Other income and other expense	99,329	(43,185)	56,144
Construction costs	(835,414)	835,414	-
Provision for resurfacing charges	(13,974)	13,974	-
Toll expressway operation expenses	(154,234)	154,234	-
Depreciation and amortisation charges	(270,156)	269,642	(514)
General and administrative expenses	(62,157)	39,175	(22,982)
Finance costs	(144,932)	108,095	(36,837)
Share of results of joint ventures	-	419,133	419,133
Income tax expenses	(175,662)	149,784	(25,878)
Profit for the period	<u>389,066</u>	<u>-</u>	<u>389,066</u>

The effect of the change in the Group's accounting policy described above on the financial position of the Group as at the end of the immediate preceding financial year, i.e. 30 June 2013 by line items presented in the condensed consolidated financial position, is as follows:

	As at 30 June 2013 <u>(originally stated)</u> RMB'000	<u>Adjustments</u> RMB'000	As at 30 June 2013 <u>(restated)</u> RMB'000
Property and equipment	497,179	(496,752)	427
Interests in joint ventures	-	6,255,942	6,255,942
Concession intangible assets	13,060,456	(13,060,456)	-
Balance with a joint venture	260,944	(260,944)	-
Loans to a joint venture			
- non-current portion	500,000	500,000	1,000,000
Investment	4,785	-	4,785
Inventories	1,853	(1,853)	-
Deposits and prepayments	6,654	(2,746)	3,908
Interest and other receivables	85,565	90,763	176,328
Loans to a joint venture – current portion	15,000	15,000	30,000
Interest receivable from a joint venture	7,806	7,806	15,612
Pledged bank balances and deposits of joint ventures	328,394	(328,394)	-
Bank balances and cash of the Group	1,480,436	-	1,480,436
Bank balances and cash of joint ventures	34,674	(34,674)	-
Bank loans of the Group			
- non-current portion	(500,000)	-	(500,000)
Bank and other loans of joint ventures			
- non-current portion	(5,597,060)	5,597,060	-
Balance with a joint venture partner			
- non-current portion	(260,895)	260,895	-
Resurfacing obligations	(80,011)	80,011	-
Deferred tax liabilities	(325,723)	193,050	(132,673)
Other non-current liabilities	(51,488)	51,488	-
Provision, other payables, accruals and deposits received	(707,387)	698,002	(9,385)
Balance with a joint venture partner			
- current portion	(106,595)	106,595	-
Bank loan of the Group – current portion	(101,821)	-	(101,821)
Bank loans of joint ventures			
- current portion	(252,053)	252,053	-
Corporate bonds	(600,000)	-	(600,000)
Other interest payable	(8,690)	7,190	(1,500)
Tax liabilities	(71,428)	69,964	(1,464)
Total effects on net assets	<u>7,620,595</u>	<u>-</u>	<u>7,620,595</u>

(FOR INFORMATION PURPOSE ONLY)

	As at 30 June 2013 <u>(originally stated)</u> HK\$'000	<u>Adjustments</u> HK\$'000	As at 30 June 2013 <u>(restated)</u> HK\$'000
Property and equipment	627,937	(627,397)	540
Interests in joint ventures	-	7,901,255	7,901,255
Concession intangible assets	16,495,355	(16,495,355)	-
Balance with a joint venture	329,572	(329,572)	-
Loans to a joint venture			
- non-current portion	631,500	631,500	1,263,000
Investment	6,044	-	6,044
Inventories	2,341	(2,341)	-
Deposits and prepayments	8,405	(3,469)	4,936
Interest and other receivables	108,068	114,633	222,701
Loans to a joint venture – current portion	18,945	18,945	37,890
Interest receivable from a joint venture	9,859	9,859	19,718
Pledged bank balances and deposits of joint ventures	414,762	(414,762)	-
Bank balances and cash of the Group	1,869,790	-	1,869,790
Bank balances and cash of joint ventures	43,793	(43,793)	-
Bank loans of the Group			
- non-current portion	(631,500)	-	(631,500)
Bank and other loans of joint ventures			
- non-current portion	(7,069,087)	7,069,087	-
Balance with a joint venture partner			
- non-current portion	(329,510)	329,510	-
Resurfacing obligations	(101,053)	101,053	-
Deferred tax liabilities	(411,388)	243,822	(167,566)
Other non-current liabilities	(65,029)	65,029	-
Provision, other payables, accruals and deposits received	(893,431)	881,578	(11,853)
Balance with a joint venture partner			
- current portion	(134,629)	134,629	-
Bank loans of the Group			
- current portion	(128,600)	-	(128,600)
Bank loans of joint ventures			
- current portion	(318,342)	318,342	-
Corporate bonds	(757,800)	-	(757,800)
Other interest payable	(10,976)	9,082	(1,894)
Tax liabilities	(90,214)	88,365	(1,849)
Total effects on net assets	<u>9,624,812</u>	<u>-</u>	<u>9,624,812</u>

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle ³
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle ²
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures ⁴
IFRS 9	Financial Instruments ⁴
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment Entities ¹
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ²
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ¹
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ¹
IFRIC 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 July 2014 with limited exceptions.

⁴ Available for the application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

The Directors anticipate that the application of the new and revised IFRSs will have no material impact on the results and the financial positions of the Group.

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 and tax ("EBIT") and segment results, is more specifically focused on individual toll expressways projects jointly operated and managed by the Group and the relevant joint venture partners.

- 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.

The following is an analysis of the revenue and results of the Group's joint ventures by reportable and operating segment for the periods under review:

Segment revenue and results

	Six months ended 31 December					
	2012			2013		
	<u>Segment revenue</u> RMB'000	<u>EBIT</u> RMB'000	<u>Segment results</u> RMB'000	<u>Segment revenue</u> RMB'000	<u>EBIT</u> RMB'000	<u>Segment results</u> RMB'000
GS Superhighway	745,494	452,795	306,063	790,058	471,923	316,085
Phase I West	40,215	25,858	17,004	44,650	26,275	18,095
Phase II West	114,765	59,976	(10,531)	139,206	74,004	1,385
Phase III West	-	-	-	36,702	11,135	(50,494)
Total	900,474	538,629	312,536	1,010,616	583,337	285,071
Corporate interest income from bank deposits			41,436			22,923
Corporate interest income from loans made by the Group to a joint venture			3,129			32,127
Other income			697			548
Corporate general and administrative expenses			(19,110)			(18,821)
Corporate finance costs			(29,964)			(18,101)
Corporate income tax expenses			(2,949)			(5,315)
Net exchange gain, net of related income tax expenses (note)			9,684			18,458
Profit for the period			315,459			316,890

Note: Net exchange gain, net of related income tax expenses, is composed of the Group's share of the exchange gain, net of related income tax expenses of a joint venture of RMB18,042,000 (six months ended 31 December 2012: RMB9,777,000) and the net exchange gain of the Group of RMB416,000 (six months ended 31 December 2012: net exchange loss of RMB93,000).

(FOR INFORMATION PURPOSE ONLY)

	Six months ended 31 December					
	2012			2013		
	Segment revenue HK\$'000	EBIT HK\$'000	Segment results HK\$'000	Segment revenue HK\$'000	EBIT HK\$'000	Segment results HK\$'000
GS Superhighway	919,640	558,158	377,266	1,003,900	599,539	401,597
Phase I West	49,614	31,885	20,962	56,740	33,377	22,983
Phase II West	141,598	73,960	(13,029)	176,898	93,978	1,751
Phase III West	-	-	-	46,646	14,149	(64,160)
Total	<u>1,110,852</u>	<u>664,003</u>	385,199	<u>1,284,184</u>	<u>741,043</u>	<u>362,171</u>
Corporate interest income from bank deposits			50,950			29,059
Corporate interest income from loans made by the Group to a joint venture			3,882			40,725
Other income			855			693
Corporate general and administrative expenses			(23,496)			(23,855)
Corporate finance costs			(36,837)			(22,946)
Corporate income tax expenses			(3,629)			(6,736)
Net exchange gain, net of related income tax expenses (note)			12,142			23,514
Profit for the period			<u>389,066</u>			<u>402,625</u>

Note: Net exchange gain, net of related income tax expenses, is composed of the Group's share of the exchange gain, net of related income tax expenses of a joint venture of HK\$22,985,000 (six months ended 31 December 2012: HK\$12,256,000) and the net exchange gain of the Group of HK\$529,000 (six months ended 31 December 2012: net exchange loss of HK\$114,000).

The segment revenue represents the Group's share of the joint ventures' toll revenue received and receivable from the operations of toll expressways in the PRC, net of business tax, 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 EBIT represent the Group's share of joint ventures' EBIT from the operations of toll expressways in the PRC before net exchange gain, 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, net of related income tax expenses, based on the profit-sharing ratios specified in the relevant joint venture agreements and (ii) net of the withholding tax attributed to the dividend received from a joint venture and the undistributed earnings of a joint venture. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. OTHER INCOME AND OTHER EXPENSE

	Six months ended 31 December			
	<u>2012</u> RMB'000 (restated)	<u>2013</u> RMB'000	<u>2012</u> HK\$'000 (restated)	<u>2013</u> HK\$'000
			(FOR INFORMATION PURPOSE ONLY)	
Interest income from:				
Bank deposits	41,436	22,923	50,950	29,059
Loans made by the Group to a joint venture	3,129	32,127	3,882	40,725
Net exchange (loss) gain	(93)	416	(114)	529
Management fee income from joint ventures	1,158	948	1,426	1,202
	<u>45,630</u>	<u>56,414</u>	<u>56,144</u>	<u>71,515</u>

5. FINANCE COSTS

	Six months ended 31 December			
	<u>2012</u> RMB'000 (restated)	<u>2013</u> RMB'000	<u>2012</u> HK\$'000 (restated)	<u>2013</u> HK\$'000
			(FOR INFORMATION PURPOSE ONLY)	
Interest on:				
Bank loans	22,147	11,694	27,237	14,824
Corporate bonds	6,040	4,688	7,415	5,942
	<u>28,187</u>	<u>16,382</u>	<u>34,652</u>	<u>20,766</u>
Other financial expenses	1,777	1,719	2,185	2,180
	<u>29,964</u>	<u>18,101</u>	<u>36,837</u>	<u>22,946</u>

6. SHARE OF RESULTS OF JOINT VENTURES

	Six months ended 31 December			
	<u>2012</u> RMB'000 (restated)	<u>2013</u> RMB'000	<u>2012</u> HK\$'000 (restated)	<u>2013</u> HK\$'000 (restated)
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	376,865	364,381	464,746	463,007
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(15,167)	(16,127)	(18,713)	(20,493)
Amortisation of additional costs of investments in joint ventures	(36,975)	(41,894)	(45,613)	(53,232)
Imputed interest income recognised by the Group on interest-free registered capital contributions made by the Group	<u>15,167</u>	<u>16,127</u>	<u>18,713</u>	<u>20,493</u>
	<u><u>339,890</u></u>	<u><u>322,487</u></u>	<u><u>419,133</u></u>	<u><u>409,775</u></u>

7. INCOME TAX EXPENSES

	Six months ended 31 December			
	<u>2012</u> RMB'000 (restated)	<u>2013</u> RMB'000	<u>2012</u> HK\$'000 (restated)	<u>2013</u> HK\$'000 (restated)
The tax charge comprises:				
PRC Enterprise Income Tax ("EIT")	28,063	22,835	34,895	28,960
Deferred tax	<u>(7,076)</u>	<u>2,254</u>	<u>(9,017)</u>	<u>2,904</u>
	<u><u>20,987</u></u>	<u><u>25,089</u></u>	<u><u>25,878</u></u>	<u><u>31,864</u></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 2013 included an amount of RMB17,520,000 (approximately HK\$22,224,000) (six months ended 31 December 2012: RMB25,114,000 (approximately HK\$31,266,000)) representing the 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 period in respect of undistributed earnings of a PRC joint venture.

8. PROFIT FOR THE PERIOD

	Six months ended 31 December			
	<u>2012</u> RMB'000 (restated)	<u>2013</u> RMB'000	<u>2012</u> HK\$'000 (restated)	<u>2013</u> HK\$'000
Profit for the period has been arrived at after charging:				
Depreciation of property and equipment	<u>418</u>	<u>92</u>	<u>514</u>	<u>116</u>

9. DIVIDENDS

	Six months ended 31 December			
	<u>2012</u> RMB'000	<u>2013</u> RMB'000	<u>2012</u> HK\$'000	<u>2013</u> HK\$'000
Dividends paid and recognised as distribution during the period:				
Final dividend for the year ended 30 June 2013 paid of RMB9 cents (equivalent to HK11.3122 cents) and special final dividend of RMB10 cents (equivalent to HK12.5691 cents) per share (six months ended 31 December 2012: HK16.00 cents (approximately RMB12.95 cents) per share for the year ended 30 June 2012)	<u>383,427</u>	<u>585,521</u>	<u>473,870</u>	<u>735,948</u>

As at 2 January 2014, the Directors have declared that an interim dividend in respect of the year ending 30 June 2014 of RMB9.80 cents (equivalent to HK12.4590 cents) per share amounting to approximately RMB302,006,000 (approximately HK\$383,948,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 17 January 2014.

As at 21 February 2013, the Directors declared that an interim dividend in respect of the year ended 30 June 2013 of RMB10.00 cents (approximately HKD12.34 cents) per share amounting to approximately RMB308,169,000 (approximately HK\$380,262,000) was paid to the shareholders of the Company whose names appeared on the Register of Members on 8 March 2013.

10. EARNINGS PER SHARE

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

	Six months ended 31 December			
	<u>2012</u> RMB'000	<u>2013</u> RMB'000	<u>2012</u> HK\$'000	<u>2013</u> HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>309,845</u>	<u>310,837</u>	<u>382,141</u>	<u>394,933</u>
			Six months ended 31 December	
			<u>2012</u> Number of shares	<u>2013</u> Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share			<u>3,003,429,413</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.

11. INTERESTS IN JOINT VENTURES

	30 June 2013 RMB'000 (restated)	31 December 2013 RMB'000	30 June 2013 HK\$'000 (restated)	31 December 2013 HK\$'000
(FOR INFORMATION PURPOSE ONLY)				
Unlisted investments:				
At cost				
Cost of investment in a joint venture	1,817,535	1,817,535	2,295,547	2,328,263
Additional cost of investments	2,520,218	2,520,218	3,183,035	3,228,399
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, net of dividend received	2,714,069	2,728,050	3,427,869	3,494,632
Less: Share of accumulated imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(207,923)	(224,050)	(262,607)	(287,009)
Less: Accumulated amortisation of additional cost of investments	(1,109,845)	(1,151,739)	(1,401,734)	(1,475,378)
	<u>5,734,054</u>	<u>5,690,014</u>	<u>7,242,110</u>	<u>7,288,907</u>
At amortised cost				
Registered capital contribution, at nominal amount	2,131,500	2,131,500	2,692,085	2,730,452
Fair value adjustment on initial recognition	(1,817,535)	(1,817,535)	(2,295,547)	(2,328,263)
Accumulated imputed interest income recognised by the Group	207,923	224,050	262,607	287,009
	<u>521,888</u>	<u>538,015</u>	<u>659,145</u>	<u>689,198</u>
	<u><u>6,255,942</u></u>	<u><u>6,228,029</u></u>	<u><u>7,901,255</u></u>	<u><u>7,978,105</u></u>

12. LOANS TO A JOINT VENTURE/INTEREST RECEIVABLE FROM A JOINT VENTURE

	30 June 2013 RMB'000 (restated)	31 December 2013 RMB'000	30 June 2013 HK\$'000 (restated)	31 December 2013 HK\$'000
			(FOR INFORMATION PURPOSE ONLY)	
Principal amount of loans from the Group to a joint venture	1,030,000	1,000,000	1,300,890	1,281,000
Interest receivable for loans from the Group to a joint venture	<u>15,612</u>	<u>1,879</u>	<u>19,718</u>	<u>2,407</u>
	<u>1,045,612</u>	<u>1,001,879</u>	<u>1,320,608</u>	<u>1,283,407</u>
Analysed for reporting purpose:				
Non-current assets	1,000,000	1,000,000	1,263,000	1,281,000
Current assets	<u>45,612</u>	<u>1,879</u>	<u>57,608</u>	<u>2,407</u>
	<u>1,045,612</u>	<u>1,001,879</u>	<u>1,320,608</u>	<u>1,283,407</u>

13. SHARE CAPITAL

	<u>Number of shares</u>	<u>Nominal amount HK\$'000</u>
Ordinary shares of HK\$0.1 each Authorised:		
As at 1 July 2012, 31 December 2012, 30 June 2013 and 31 December 2013	<u>10,000,000,000</u>	<u>1,000,000</u>
		<u>Nominal amount</u>
	<u>Number of shares</u>	<u>Equivalent to RMB'000</u>
Issued and fully paid:		
As at 1 July 2012	2,961,690,283	296,169
Shares issued	<u>120,000,000</u>	<u>12,000</u>
As at 31 December 2012, 30 June 2013 and 31 December 2013	<u>3,081,690,283</u>	<u>308,169</u>
		<u>270,603</u>

On 29 October 2012, the Company issued and allotted a total of 120 million ordinary shares of HK\$0.1 each at par to independent third parties, for consideration of RMB3.22 (approximately HK\$4.00) per share. These shares rank pari passu in all respects with other shares in issue.

Share Option Scheme

No share option of the Company was granted during both periods presented. During the six months ended 31 December 2013, 4,080,000 vested share options with exercise price of HK\$5.858 per share were expired (six months ended 31 December 2012: nil).

14. DEFERRED TAX LIABILITIES

The amounts represent the deferred tax liabilities associated with the undistributed earnings of a PRC joint venture.

15. CORPORATE BONDS

The corporate bonds with principal amounts of RMB600,000,000 (approximately HK\$768,600,000) (30 June 2013: RMB600,000,000 (approximately HK\$757,800,000)) are due on 18 May 2014 and carry interest at fixed rate of 1.55% per annum. The corporate bonds are unsecured.

16. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities as at 31 December 2013 amounting to RMB8,158,577,000 (approximately HK\$10,451,137,000) (30 June 2013, as restated: RMB8,253,268,000 (approximately HK\$10,423,878,000)). The Group's net current assets as at 31 December 2013 amounting to RMB925,326,000 (approximately HK\$1,185,342,000) (30 June 2013, as restated: RMB992,114,000 (approximately HK\$1,253,039,000)).

APPENDIX

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS PREPARED UNDER PROPORTIONATE CONSOLIDATION METHOD

	Six months ended 31 December			
	<u>2012</u> RMB'000	<u>2013</u> RMB'000	<u>2012</u> HK\$'000	<u>2013</u> HK\$'000
Toll revenue	900,474	1,010,616	1,110,852	1,284,184
Revenue on construction	<u>671,555</u>	<u>30,933</u>	<u>835,414</u>	<u>39,625</u>
Turnover	1,572,029	1,041,549	1,946,266	1,323,809
Other income and other expense	80,383	104,381	99,329	132,595
Construction costs	(671,555)	(30,933)	(835,414)	(39,625)
Provision for resurfacing charges	(11,325)	(11,898)	(13,974)	(15,119)
Toll expressway operation expenses	(124,745)	(125,112)	(154,234)	(159,160)
Depreciation and amortisation charges	(218,885)	(273,067)	(270,156)	(347,037)
General and administrative expenses	(50,423)	(52,271)	(62,157)	(66,377)
Finance costs	<u>(117,576)</u>	<u>(176,461)</u>	<u>(144,932)</u>	<u>(224,120)</u>
Profit before tax	457,903	476,188	564,728	604,966
Income tax expenses	<u>(142,444)</u>	<u>(159,298)</u>	<u>(175,662)</u>	<u>(202,342)</u>
Profit for the period	<u>315,459</u>	<u>316,890</u>	<u>389,066</u>	<u>402,624</u>
Profit for the period attributable to:				
Owners of the Company	309,845	310,837	382,141	394,932
Non-controlling interests	<u>5,614</u>	<u>6,053</u>	<u>6,925</u>	<u>7,692</u>
	<u>315,459</u>	<u>316,890</u>	<u>389,066</u>	<u>402,624</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION PREPARED
UNDER PROPORTIONATE CONSOLIDATION METHOD

	30 June 2013 RMB'000	31 December 2013 RMB'000	30 June 2013 HK\$'000	31 December 2013 HK\$'000
(FOR INFORMATION PURPOSE ONLY)				
ASSETS				
Non-current Assets				
Property and equipment	497,179	485,451	627,937	621,862
Concession intangible assets	13,060,456	12,851,357	16,495,355	16,462,588
Balance with a joint venture	260,944	269,007	329,572	344,599
Loans to a joint venture (note i)	500,000	500,000	631,500	640,500
Investment	4,785	4,785	6,044	6,130
	<u>14,323,364</u>	<u>14,110,600</u>	<u>18,090,408</u>	<u>18,075,679</u>
Current Assets				
Inventories	1,853	1,607	2,341	2,059
Deposits and prepayments	6,654	10,954	8,405	14,032
Interest and other receivables	85,565	38,789	108,068	49,690
Loans to a joint venture (note i)	22,806	940	28,804	1,204
Pledged bank balances and deposits of joint ventures	328,394	278,093	414,762	356,236
Bank balances and cash				
- The Group	1,480,436	1,414,802	1,869,790	1,812,361
- Joint ventures	34,674	33,087	43,793	42,384
	<u>1,960,382</u>	<u>1,778,272</u>	<u>2,475,963</u>	<u>2,277,966</u>
Total Assets	<u>16,283,746</u>	<u>15,888,872</u>	<u>20,566,371</u>	<u>20,353,645</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	270,603	270,603	308,169	308,169
Share premium and reserves	7,300,132	7,029,519	9,253,670	9,043,288
Equity attributable to owners of the Company	7,570,735	7,300,122	9,561,839	9,351,457
Non-controlling interests	49,860	49,523	62,973	63,438
Total Equity	<u>7,620,595</u>	<u>7,349,645</u>	<u>9,624,812</u>	<u>9,414,895</u>
Non-current Liabilities				
Bank loan of the Group	500,000	674,005	631,500	863,400
Bank and other loans of joint ventures	5,597,060	5,445,151	7,069,087	6,975,239
Balance with a joint venture partner	260,895	268,957	329,510	344,534
Resurfacing obligations	80,011	87,450	101,053	112,023
Deferred tax liabilities	325,723	318,482	411,388	407,975
Other non-current liabilities	51,488	7,850	65,029	10,056
	<u>6,815,177</u>	<u>6,801,895</u>	<u>8,607,567</u>	<u>8,713,227</u>

	30 June <u>2013</u> RMB'000	31 December <u>2013</u> RMB'000	30 June <u>2013</u> HK\$'000	31 December <u>2013</u> HK\$'000
			(FOR INFORMATION PURPOSE ONLY)	
Current Liabilities				
Provision, other payables, accruals and deposits received	707,387	713,557	893,431	914,067
Balance with a joint venture partner	106,595	77,733	134,629	99,576
Bank loans				
- The Group	101,821	-	128,600	-
- Joint ventures	252,053	254,749	318,342	326,334
Corporate bonds	600,000	600,000	757,800	768,600
Other interest payable	8,690	19,349	10,976	24,786
Tax liabilities	71,428	71,944	90,214	92,160
	<u>1,847,974</u>	<u>1,737,332</u>	<u>2,333,992</u>	<u>2,225,523</u>
Total Liabilities	<u>8,663,151</u>	<u>8,539,227</u>	<u>10,941,559</u>	<u>10,938,750</u>
Total Equity and Liabilities	<u><u>16,283,746</u></u>	<u><u>15,888,872</u></u>	<u><u>20,566,371</u></u>	<u><u>20,353,645</u></u>

Notes:

- (i) Reconciliation of loans to a joint venture

	30 June <u>2013</u> RMB'000	31 December <u>2013</u> RMB'000	30 June <u>2013</u> HK\$'000	31 December <u>2013</u> HK\$'000
			(FOR INFORMATION PURPOSE ONLY)	
Principal amount of loans from the Group to a joint venture	1,030,000	1,000,000	1,300,890	1,281,000
Interest receivable for loans from the Group to a joint venture	15,612	1,879	19,718	2,407
Less: Elimination of the Group's proportionate share of the corresponding amounts of a joint venture	<u>(522,806)</u>	<u>(500,939)</u>	<u>(660,304)</u>	<u>(641,703)</u>
	<u><u>522,806</u></u>	<u><u>500,940</u></u>	<u><u>660,304</u></u>	<u><u>641,704</u></u>

Analysed for reporting purpose:

Non-current assets	500,000	500,000	631,500	640,500
Current assets	<u>22,806</u>	<u>940</u>	<u>28,804</u>	<u>1,204</u>
	<u><u>522,806</u></u>	<u><u>500,940</u></u>	<u><u>660,304</u></u>	<u><u>641,704</u></u>

GLOSSARY

“1H FY13”	the first half of FY13
“1H FY14”	the first half of FY14
“Board”	the board of Directors
“Coastal Expressway”	Guangzhou-Shenzhen Coastal Expressway
“Company” or “HHI”	Hopewell Highway Infrastructure Limited
“Director(s)”	director(s) of the Company
“EBIT”	earnings before interest and taxation
“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 ending 30 June 2014
“FY15”	the financial year ending 30 June 2015
“FY16”	the financial year ending 30 June 2016
“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 PRC
“HZM Bridge”	the Hong Kong-Zhuhai-Macau Bridge
“JV”	joint venture
“km”	kilometre
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“Macau”	the Macau Special Administrative Region of PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Phase I West”	Phase I of Western Delta Route
“Phase II West”	Phase II of Western Delta Route
“Phase III West”	Phase III of 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
“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.