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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 Code: 737)

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

(in million HK dollars, unless otherwise stated)

For the year ended 30 June	2009	2010	% Change
Net toll revenue	1,809	1,940	+7%
Profit attributable to owners of the Company	1,059	956	-10%
EPS (HK cents)	35.72	32.28	-10%
Interim DPS (HK cents)	17.0	17.0	-
Extraordinary Special DPS (HK cents)	84.0	-	-100%
Final DPS (HK cents)	18.0	15.0	-17%
Total DPS (HK cents)	119.0	32.0	-73%

CHAIRMAN'S STATEMENT

I am pleased to report the results of Hopewell Highway Infrastructure Limited and its subsidiaries (the "Group") for the year ended 30 June 2010. The Group's net toll revenue increased by 7% to HK\$1,940 million as compared to last year. Profit attributable to owners of the Company decreased by 10% from HK\$1,059 million of last year to HK\$956 million. This slip in profit was mainly attributable to the drop in interest income from bank deposits coupled with the significant step-up of the applicable PRC Enterprise Income Tax rate from year 2010 onwards. The basic earnings per share for the year decreased by 10% from last year's HK35.72 cents per share to HK32.28 cents.

* For identification only

During the year under review, the strong growth in private car ownership resulted from the increasing purchasing power in Guangdong led to a strong traffic and toll revenue growth of Class 1 small cars on GS Superhighway and Phase I West. In respect of GS Superhighway, both traffic and toll revenue from Class 1 small cars reached a record high level, while that from Classes 4 and 5 commercial vehicles (mainly trucks) strongly rebounded from the trough in early 2009. GS Superhighway and Phase I West continued to provide stable recurring profit and cash inflow to the Group.

Phase II West opened on 25 June 2010 as scheduled, creating synergy with Phase I West and increasing the Group's total length of operating toll expressways to around 180 km. Phase I West and Phase II West, with a combined length of about 61 km, altogether form a major expressway linking Guangzhou with downtown Zhongshan. The travelling time between Guangzhou and Zhongshan has been greatly shortened from over an hour to approximately 30 minutes. The construction of Phase III West commenced in December 2009. It is planned to be completed and operational by the end of 2013.

In April 2010, the West Route JV signed a RMB3,930 million 18-year syndicated project loan for Phase III West with a group of seven banks of the PRC. Further, the Company took the honour as the first non-financial institution to issue RMB corporate bonds in Hong Kong in July 2010. The bond offering was well received by the market with 13 applications from institutional investors and a total subscription of RMB2.19 billion, achieving 2.19 times of the RMB1 billion target issue size. In response to the overwhelming market demand, the Company decided to increase the issue size to RMB1.38 billion. Some of the funds so raised will be used as capital injection in Phase III West, for which approval has been obtained from the relevant PRC authorities. It is currently planned that further capital injection in RMB for Phase III West will take place in the fourth quarter of 2010, following the first capital injection in RMB for this project which was made in June 2010. Such bond issue marked a milestone for the internationalization of RMB. The Group, with diversified financing sources and solid recurring income base, will continue to seek investment opportunities in the PRD and beyond to deliver steady and attractive returns to shareholders.

Final Dividend

In view of the strong financial position of the Group, the Board of Directors has recommended a final dividend of HK15 cents per share. Together with the interim dividend of HK17 cents per share already paid, total dividend for the full year will be HK32 cents per share, a 9% decrease as compared to HK35 cents (not including the extraordinary special dividend of HK84 cents) for the last financial year. These represent a payout ratio of 99% on profit attributable to owners of the Company. Subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 20 October 2010, the proposed final dividend will be paid on 21 October 2010 to shareholders as registered at the close of business on 20 October 2010. The Group will adhere to a 100% dividend payout policy, taking into account the steady earnings and cash flow as well as the healthy balance sheet and cash surplus on hand.

Closure of Register

The Register of Members of the Company will be closed from Wednesday, 13 October 2010 to Wednesday, 20 October 2010, both days inclusive, during that period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 12 October 2010.

Financial Status

The Group maintained a strong financial position throughout the year. The Group's proportionately shared net toll revenue for the year ended 30 June 2010 increased by 7% from HK\$1,809 million to HK\$1,940 million.

Financial Year	2009	2010	% Change
<i>GS Superhighway (at joint venture company level)</i>			
Average Daily Traffic (No. of vehicles '000)	314	352	12%
Average Daily Toll Revenue (RMB '000)	8,949	9,576	7%
<i>Phase I West (at joint venture company level)</i>			
Average Daily Traffic (No. of vehicles '000)	28	31	10%
Average Daily Toll Revenue (RMB '000)	409	436	7%
<i>Phase II West (at joint venture company level)</i> ^{Note}			
Average Daily Traffic (No. of vehicles '000)	-	20	N/A
Average Daily Toll Revenue (RMB '000)	-	333	N/A

Note : Covering the 6-day period from 25 June 2010 (date of commencement of operation) to 30 June 2010 only.

Save for borrowings of the PRC joint venture companies, the Group has no outstanding corporate debt throughout the financial year. As at 30 June 2010, the Group's Hong Kong headquarters (not including the PRC joint venture companies) had net cash on hand of HK\$2,475 million, which would be more than sufficient for the equity injections required for Phase II West and Phase III West. Allowing for the equities required for Phase II West and Phase III West, the Company would still have a surplus cash of HK\$1,114 million. Interest income for the year dropped owing to the low bank deposits interest rates and the decrease in cash balance.

On project level, the Group's project debts are well covered by the project cash flow. When expressed in terms of project interest coverage, being defined as the ratio of the Group's proportionately shared project EBITDA for the year ended 30 June 2010 to the corresponding project interest expenses, it would be about 23 times. In addition, the Group's syndicated bank loan facility of HK\$3.6 billion remains undrawn. Net current assets as at 30 June 2010 amounted to HK\$1,089 million, representing a 50% decrease against the HK\$2,182 million as at the last

financial year end mainly due to the increase in accruals for the construction cost of Phase II West and short-term bridging borrowings for the construction payments of Phase III West during the year.

The cash inflow of the Group is mainly derived from the dividends distributed by GS Superhighway JV and West Route JV in respect of Phase I West. The Group's regular dividend payout has been sufficiently covered by such cash inflow. Since April 2010, the Group has been able to remit its dividends from GS Superhighway JV and West Route JV to Hong Kong directly in RMB, without having them firstly converted into HK or US Dollars. The Group was also approved by the relevant authorities in the PRC to inject its equity to Phase III West in RMB in June 2010. As of 30 June 2010, about 12% of the Group's total cash balance was denominated in RMB amounting to RMB258 million. The Group plans to keep most of its cash balance in RMB in the future, which is in line with its policy to adopt RMB as its functional currency. Moreover, the Group will continue to reinforce its treasury management and evaluate available options with a view to improving the yields of its ample cash deposits portfolio.

Business Review and Outlook

The world economic environment remained quite volatile during the year under review. While the impact of the global financial tsunami gradually subsided in the second half of 2009, the downgrading of the sovereign debts of certain European Union member states in the first half of 2010 created uncertainties in the world's financial markets and threatened to jeopardise the global economy recovery.

Despite the global economic uncertainties, the PRC government's stimulus measures caused the country's GDP growth rate above 10 percent during the first and second quarters of 2010. Both imports and exports continued to rebound, and the car manufacturing and sales sectors benefited from the stimulus policies. The number of car owners in the PRC has risen rapidly, and their greater geographical mobility has led to a resurgence of the transportation industry in the PRD. The volume of road users, especially private car, has likewise grown sharply. While there are measures, implicit or explicit, to cool down the property market in the PRC, the domestic consumption market is resilient. Generally speaking, the Group's expressways benefitted from the fast-paced economic recovery and development in the PRD in the past year.

During the year, robust traffic growth in Class 1 small cars was recorded on our expressway projects. The average daily toll revenue of GS Superhighway was close to its historical high in 2007. In order to relieve traffic pressure and sustain smooth traffic for certain busy road sections of GS Superhighway, the GS Superhighway JV plans to commence widening works on these sections prior to the completion of the feasibility study on widening the entire GS Superhighway to ten lanes in dual directions. The busier 3.5 km road section between Wudianmei and Taiping interchange is being widened to a section with a total of 10 lanes in dual directions. The widening works are planned to be completed in the third quarter of 2011. This will relieve the traffic pressure and

congestion collectively built up by Hugang Expressway, Humen Bridge and GS Superhighway during certain periods of the day and help maintain a smooth flow of traffic all along GS Superhighway. With its strategic location and connection with the highway network well established over the past decade, GS Superhighway will continue to be the main artery within the region.

The strong economic growth of Foshan city, partly attributed to the urban economic integration and cooperation with Guangzhou, fosters the traffic growth of Phase I West and Phase II West. Both the average daily traffic and revenue of Phase I West achieved historical high levels during the financial year. The Group believes that the opening of Phase II West in June 2010 will create synergy and support further growth in traffic and revenue of Phase I West. After Phase II West opened, the average daily traffic volume and toll revenue of Phase I West in July 2010 rose 21% and 17% respectively compared to June 2010. Moreover, the average daily toll revenue of Phase II West has already exceeded RMB600,000 towards the end of August 2010, getting closer to the Group's target for cashflow breakeven of RMB800,000.

The construction of Phase III West has commenced in December 2009 with currently planned completion by the end of 2013. Upon completion of Phase III West, the total length of toll expressways invested by the Group will be further expanded by about 20% to around 220km. In view of the rapid urbanization, fast growing economic and transportation of the western bank of the PRD, the Group believes that the Western Delta Route will serve as a platform for the long-term growth of its toll road business.

The PRD Reform and Development Plan (2008-2020) promulgated by the National Development and Reform Commission in December 2008 pledges to enhance the integration, optimisation and acceleration of economic development on the western bank of the PRD, and the State Council also approved the overall development plan for Hengqin on 14 August 2009. Hengqin, which is adjacent to Macau, has been designated as a State-level Strategic New Zone, and a central financial and business district will be built there to accelerate its development. Furthermore, construction of the HZM Bridge started on 15 December 2009, and it is expected to be completed and operational in 2015. Vehicles will then be able to travel to and from cities on the western bank of the PRD along the Western Delta Route and via the HZM Bridge to Hong Kong. Apart from the advantages created by the expansion and completion of the regional expressway network, HZM Bridge will create synergy with the Western Delta Route, thereby benefiting the Group's projects. The Group believes that the Western Delta Route will also benefit from the integration of the economies and transportation networks of Guangdong, Hong Kong and Macau in the future.

Appreciation

I would like to take this opportunity to thank my fellow directors, management team, and all staff for their hard work, dedication and commitment in the past year. I would also like to thank all our shareholders, financiers and business partners for their continuous support and confidence in the Group which have contributed towards the Group's success last year.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 31 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As the Chinese domestic economy has been gradually recovering after the financial tsunami and regaining its growth momentum, various business sectors show steady growth and development. From the recent economic data, the GDP of Guangdong Province in the first half of 2010 attained a 11.2% growth. Import and export trades of Guangdong Province have rebounded since the fourth quarter of 2009 and the total trade amount in the first half of 2010 has reached a historical high level, with a rise of 33.9%, boosting the demand for freight transportation in Guangdong Province.

As a result of the national preferential policies, including those for purchase of vehicles, introduced in 2009, the PRC's automobile industry has prospered with both the number of vehicles produced and sold reaching an all-time high of more than 13.6 million in 2009. China has overtaken the United States as the world leader in terms of domestic vehicle sales. The number of cars manufactured and sold both remained strong at around 9 million during the first half of 2010. Car ownership in Guangdong Province has continuously increased in double-digit terms over the past few years, reaching 6.6 million as at the end of 2009.

During the year under review, the aggregate average daily traffic volume of GS Superhighway and Phase I West increased by 12% to 383,000 vehicles, whereas their aggregate average daily toll revenue increased by 7% to RMB10 million. The toll revenue of GS Superhighway and Phase I West both grew by 7%. A total of RMB3,656 million in toll revenue was collected at GS Superhighway, Phase I West and Phase II West during the year.

The traffic volume and toll revenue of the resilient Class 1 small cars using GS Superhighway and Phase I West both grew strongly to historical high levels. Moreover, the traffic volume and toll revenue of Class 4 and Class 5 commercial vehicles (mainly trucks) using the GS Superhighway rebounded to 2008 levels from the trough in early 2009.

Phase II West opened to the public on 25 June 2010 as scheduled, creating synergy with Phase I West. The final cost is about RMB7,000 million and below budget. Phase I West and Phase II West, with a combined length of about 61 km, jointly form a major expressway linking Guangzhou with downtown Zhongshan. The travelling time between Guangzhou and Zhongshan has been greatly shortened from over an hour using local roads to approximately 30 minutes. The average daily traffic volume and toll revenue of Phase I West in July 2010 were 21% and 17% higher, respectively, than that in June 2010, before Phase II West was opened.

The Phase III West project was approved by the National Development and Reform Commission in December 2009. A groundbreaking ceremony for it was held on 28 December 2009, and it is planned to be completed and operational by the end of 2013.

The Company was the first non-financial institution to successfully issue RMB corporate bonds in Hong Kong in July 2010. The bond offering was well received by the market with a total subscription of RMB2.19 billion, achieved 2.19 times of the RMB1 billion target issue size. In response to the overwhelming market demand, the Company decided to increase the issue size to RMB1.38 billion. The proceeds will be used to develop and expand business of the Group, including Phase III West. The Group has been approved by the relevant PRC authorities to make registered capital's injection in RMB into the West Route JV in respect of Phase III West. In addition, the bond issue has also opened up a new financing channel for the Group.

As the Group is RMB-based and the interest rates with bank deposits in RMB are higher than that in HKD or USD, the Group has been increasing its cash in RMB which is in line with its adoption of RMB as functional currency and its treasury policy to increase interest yield. With the relaxation of RMB cross border trade settlement arrangements, the Group has started to receive its dividend from GS Superhighway JV and West Route JV in RMB since April 2010. In July 2010, it was further relaxed to allow corporations in Hong Kong to convert their foreign currencies into RMB. As at 30 August 2010, about 86% of the Group's total cash balance was in RMB amounting to RMB3,133 million, which included proceeds from RMB bonds, RMB dividend received from the joint venture companies and RMB exchanged from HKD.

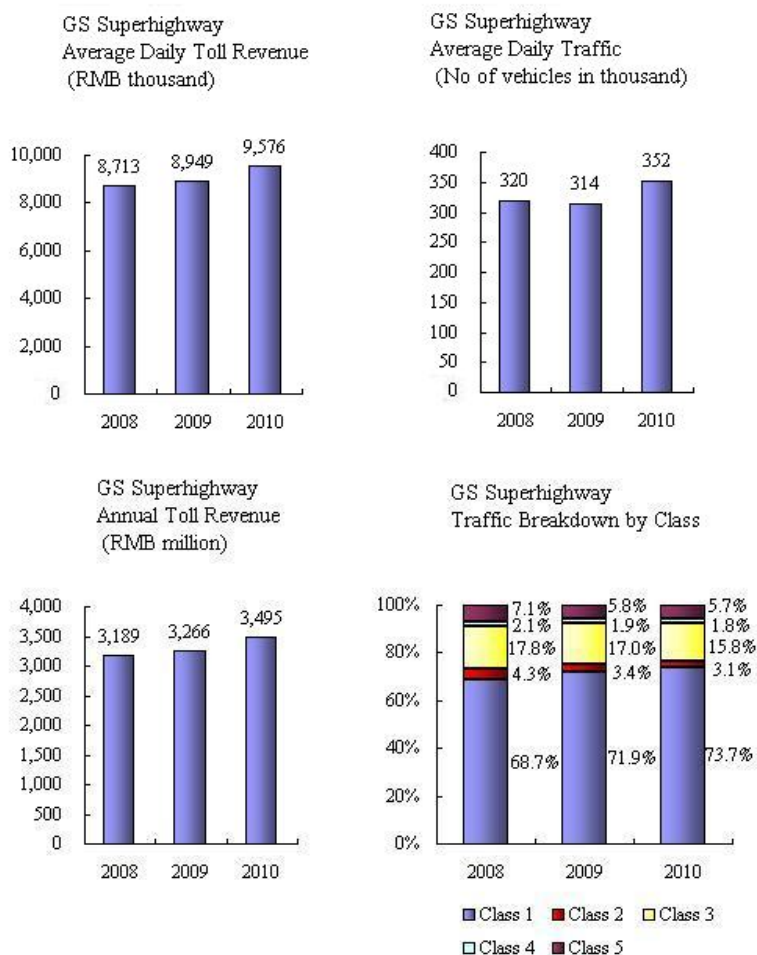
The applicable PRC Enterprise Income Tax rate has started to step up significantly from 2010 onwards. The enterprise income tax holiday for GS Superhighway expired at the end of 2009, and the applicable tax rate for it will rise from 10% to 22% in 2010, and 24% in 2011. This significant increase in the enterprise income tax rate has so far only affected the second half of the Group's 2010 financial year. However, it will significantly raise the income tax expenses for both the 2010 and 2011 financial years. The enterprise income tax holiday for Phase I West will expire at the end of 2010, and the applicable tax rate for it will then rise from 11% to 24% in 2011. From 2012 onwards, the applicable tax rate for GS Superhighway and Phase I West will become 25% until the expiry of the contractual operation periods of the GS Superhighway JV and West Route JV. Phase II West will be exempted from enterprise income tax from 2010 to 2012. Its applicable tax rate from 2013 to 2015 will be 12.5% and will become 25% from 2016 until the expiry of the contractual operation period of the West Route JV.

Recently, the Guangdong Provincial Government introduced a new requirement for all expressway operators to keep all lanes of highway exit toll plazas open to cope with exceptionally high traffic levels during long Chinese holiday periods, and to waive vehicle toll fees if traffic congestion at any highway exit toll plaza builds up to a certain level. To satisfy the new requirement and prevent traffic congestion building up at highway exit toll plaza, GS Superhighway JV and West Route JV endeavour to continue enhancing the throughput at highway exit toll plaza and improving its toll lane management.

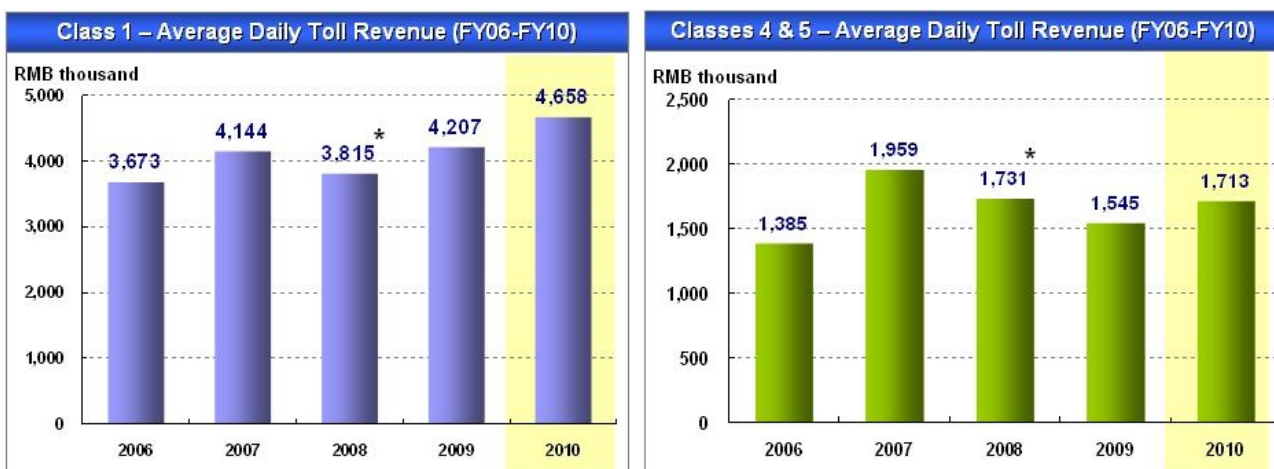
The media have recently reported that temporary traffic restriction measures will be implemented in Guangzhou during the period around the 16th Asian Games. For 51 days from 1 November to 21 December 2010, only cars with the last digit shown on their license plates being an odd number will be permitted to run within Guangzhou on the odd-numbered dates, and cars with even number will be treated similarly on the even-numbered dates. In addition, all cars entering into Guangzhou will be subject to stringent security check. The Group believes that this measure may have a mild impact on traffic on GS Superhighway and Phase I West.

Guangzhou-Shenzhen Superhighway

The 122.8 km GS Superhighway is currently the only expressway that connects the four major cities of Guangzhou, Dongguan, Shenzhen and Hong Kong. It is also one of the busiest expressways in the PRC. During the year under review, its average daily toll revenue rose by 7% to RMB9.58 million, while its toll revenue for the entire year amounted to RMB3,495 million. Meanwhile, the average daily traffic volume increased by 12% to 352,000 vehicles. Its average daily toll revenue in July 2010 exceeded the historically high level in 2007.



Sales of passenger cars in the PRC (which in the PRC are defined as including sedans, SUVs, MPVs and cross-type passenger cars) grew dramatically, as a result of the effects of the national stimulus policies on automobile manufacturing and sales. The traffic volume and the toll revenue of Class 1 small cars both increased robustly to historically high levels. Class 1 small cars accounted for 73.7% of the total traffic volume on GS Superhighway during the year under review, compared to 71.9% in the previous year, contributing to 48.6% of the total toll revenue. Due to the higher proportion of Class 1 vehicles, the average toll revenue per car per km dropped by 2% from RMB0.95 to RMB0.93 during the period under review. Meanwhile, the gradual improvement in Guangdong Province’s import and export-based industries created a rebound in the traffic volume and toll revenue from Class 4 and Class 5 commercial vehicles (mainly trucks) from the trough at the beginning of 2009 to their 2008 levels.



* part of GS Superhighway closed for maintenance in phases during October 2007 to July 2008

In order to enhance the operation efficiency and service quality, the GS Superhighway JV has widely adopted the installation of more non-stop electronic toll collection (ETC) lanes as well as automatic card-issuing lanes. These measures have significantly reduced the average length of time that vehicles spend at expressway exits and entrances. Currently, GS Superhighway has been installed with 32 sets of ETC lanes and is the highest number on any expressway in Guangdong Province. The GS Superhighway JV has plans to install more ETC lanes to keep pace with its growing demand, especially the Guangdong Provincial Government’s target to double the Guangdong Unitoll Card’s users by the end of 2010 as reported in the media. Moreover, they have helped to keep the number of toll collection staff needed to cope with the growing volume of traffic at a reasonable level.

The busier 3.5 km road section between Wudianmei and Taiping interchange is being widened to a section with a total of ten lanes in dual directions. The widening works started in July 2010 and are planned to be completed in the third quarter of 2011. This will relieve the traffic pressure and congestion collectively built up by Hugang Expressway, Humen Bridge and GS Superhighway during certain periods of the day and help maintain a smooth flow of traffic all along GS Superhighway. All six lanes in both directions of the road section concerned should remain open

during the widening period. Meanwhile, a feasibility study about widening the entire GS Superhighway to an expressway with a total of ten lanes in dual directions is being fine-tuned. When this is completed, the GS Superhighway JV will submit an application for approval by the relevant authorities.

Responding to national energy saving and emission reduction policies, the GS Superhighway JV is actively promoting low-carbon operating concepts and adopting various methods to reduce energy consumption in its daily operations. It replaced the lighting system of the 500 m long Hubeishan tunnel with an energy saving one in 2009, reducing 50% of the amount of electricity consumed. Moreover, the lighting systems along the route and at the toll plazas will gradually be replaced with energy saving systems. In addition, it has appointed an independent professional firm to carry out energy audit of its operations, and the recommendations will be considered with a view to implement measures to achieve energy saving and emission reduction goals.

In order to support the construction of the Hugang Expressway extension link, two refilling stations alongside the Taiping section of the GS Superhighway were demolished in May 2010 under arrangement by the relevant authorities. Two large and higher standard service areas with refilling stations, and parking and rest areas are currently under construction alongside the Houjie section. To maintain necessary services, two temporary but sufficient and hygienic toilet facilities have been set up at the Wangniudun interchange; two temporary refilling stations are being built alongside the Dongguan section; and emergency mobile refilling services are being arranged. The above measures have been publicised before the opening of the new service areas. GS Superhighway JV will endeavour to expedite the construction and opening of the new service areas to cater for the needs of highway users.

As reported in the media, construction of the 59 km Guangzhou and Dongguan sections as well as the 30 km Shenzhen section of the Coastal Expressway will be completed by the end of 2010 and in 2012, respectively. The Group will continue to monitor its progress. There is a common misconception that the travelling distance between Hong Kong and Guangzhou via the Coastal Expressway is shorter than that via GS Superhighway. In fact, the Coastal Expressway's stated length of 89 km only includes the middle part between Hong Kong and Guangzhou. If one takes into account of the connecting roads at both ends – i.e. the Hong Kong-Shenzhen Western Corridor, the connecting roads to the highway network in Hong Kong and to Guangzhou Ring Road – then the total travelling distances from Hong Kong to Guangzhou via both routes are almost the same.

Coastal Expressway – Comparable Travel Distance to GS Superhighway



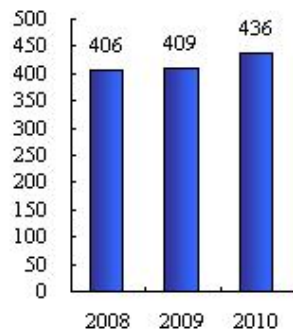
The Guangdong Provincial Government and the Hong Kong Government signed the Framework Agreement on Hong Kong / Guangdong Co-operation on 7 April 2010. The governments have clearly defined the future direction of their policies for cross-border vehicles. They will conduct more studies about the feasibility of gradually increasing the number of quotas for cross-border vehicles, and they have also decided to make Shenzhen Bay Port the location for a pilot project allowing owners of private vehicles to apply for a one-off short-term cross-border licence, which will be implemented on registered vehicles in Hong Kong first. The Group believes that the policy will effectively increase cross-border traffic in the future, and will benefit GS Superhighway.

Phase I of the Western Delta Route

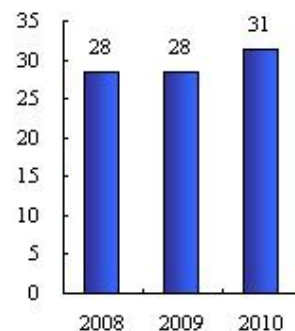
The Western Delta Route is scheduled to be built in three phases. Its first, Phase I West, was opened in April 2004. It is 14.7 km long, with a total of six lanes in dual directions, and is currently the only expressway linking Guangzhou and Shunde. It connects with Guangzhou East-South-West Ring Road to the north, and National Highway 105 and Bigui Road in Shunde, to the south. Phase I West made a profit and generated a positive cash flow during its first full year of operation in financial year 2005. It has since continued to perform well, with traffic volume and toll revenue both growing steadily.

Phase I West's average daily traffic volume grew by 10% to 31,000 vehicles during the year under review, while its average daily toll revenue rose by 7% to RMB436,000. It generated a total toll revenue of RMB159 million during the year. The traffic volume and toll revenue of Class 1 small cars both grew steadily as well. A local bridge near Sanshan Container Port in the Nanhai District of Foshan was completely closed for maintenance from mid-August 2009 to the end of March 2010. As a result, some trucks were diverted to Phase I West, in accordance with instructions from the traffic police, which further increased the volume of traffic during the period. This bridge has since been reopened and some of the previously diverted trucks have reverted to using it; so the growth in Phase I West's traffic volume and toll revenue both slowed down between April and June 2010. However, following Phase II West's opening on 25 June 2010, the average daily traffic volume and toll revenue of Phase I West were 21% and 17% higher, respectively, in July 2010 than that in June 2010 before Phase II West's opening. This synergy between Phase I West and Phase II West is expected to be sustained in the future.

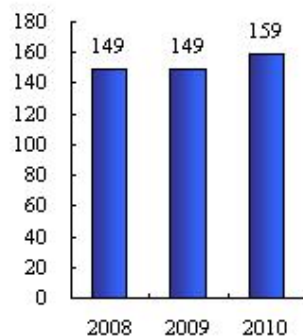
Phase I West
Average Daily Toll Revenue
(RMB thousand)



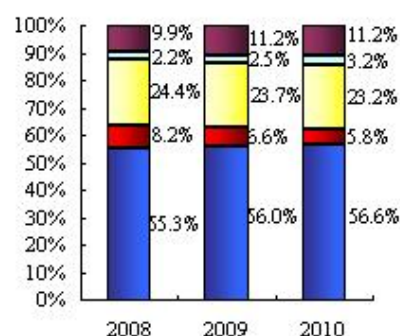
Phase I West
Average Daily Traffic
(No of vehicles in thousand)



Phase I West
Annual Toll Revenue
(RMB million)



Phase I West
Traffic Breakdown by Class



■ Class 1 ■ Class 2 ■ Class 3
□ Class 4 ■ Class 5

According to the report in the media, large trucks weighing over 15 tons (mainly loaded Class 5 trucks) are banned to use a section of the Guangzhou East-South-West Ring Road since 9 January 2010, due to maintenance works at Yajisha Bridge. This will slightly affect the traffic on Phase I West.

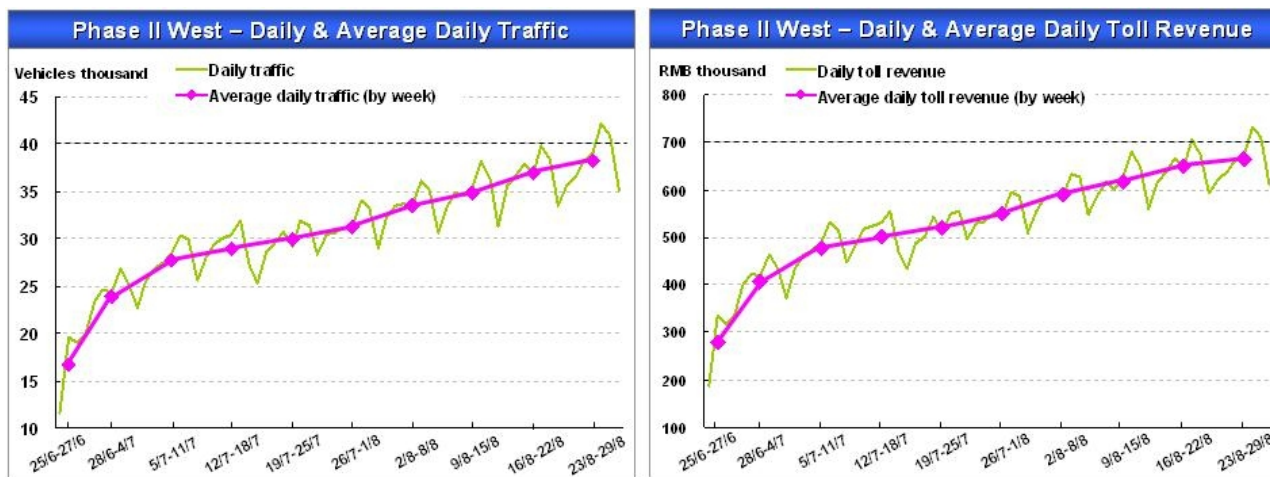
Guangzhou South Railway Station – Asia’s largest high-speed railway station – commenced operations in January 2010. It is situated in the proximity of Phase I West and its surrounding area has been designated as South Station New Town and zoned for new development. Currently, vehicles may not be able to enjoy fast and convenient access to Guangzhou South Railway Station via the Bijiang interchange of Phase I West. However, as soon as a peripheral connecting road network is completed in the coming months, fast and convenient access to Guangzhou South Railway Station via Phase I West and Phase II West can be realized. The opening of Guangzhou South Railway Station and the development of South Station New Town will eventually lead to an increase in the number of passenger cars using Phase I West and Phase II West.

In addition, the opening of Phase II West and the linking of Foshan First Ring Road with the Bijiang interchange of Phase I West in the coming months, together with Foshan’s ongoing robust economic growth, are all expected to boost Phase I West’s traffic volume and toll revenue further. The toll plazas at Nanya and Bijiang on Phase I West are currently being expanded to cope with the anticipated surge in the volume of traffic.

Phase II of the Western Delta Route

Phase II West is a 45.5 km closed expressway with a total of six lanes in dual directions. It is connected to Phase I West in Shunde to the north, and Shaxi in Zhongshan to the south, and further linked to National Highway 105 and Xiaolan Highway (currently under construction). Phase II West was opened as scheduled on 25 June 2010, creating synergy with Phase I West. Phase I West and Phase II West altogether form the main expressway linking Guangzhou and downtown Zhongshan, and have reduced the travelling time between Guangzhou and Zhongshan to approximately 30 minutes, whereas it used to take more than an hour via local roads.

Although Phase II West was only opened for the last six days of the period under review, its toll revenue amounted to RMB2.0 million during this period. Its average daily traffic volume and toll revenue jumped from around 17,000 to 38,000 vehicles, or a rise of 124%, and from around RMB280,000 to RMB660,000, or a rise of 136%, respectively, since its opening up to late August 2010. The figures have also been steadily rising since then.



Based on the annual toll revenue of GS Superhighway and Phase I West during their first full year of operation, the Group targets to achieve cashflow breakeven for Phase II West in its first full year of operation. Preliminary estimates suggest that Phase II West will achieve cash flow breakeven during this period if its annual toll revenue reaches RMB6.5 million per km (or an average daily toll revenue of about RMB800,000). If it exceeds RMB9.5 million per km (or an average daily toll revenue of about RMB1.2 million), it will be profitable. The average daily toll revenue of Phase II West amounted to RMB500,000 in July 2010, its first full month of operation. That is equivalent to the annualised toll revenue of about RMB4.0 million per km, which is comparable to GS Superhighway’s annual toll revenue of about RMB4.3 million per km during its first full year of operation. During the year under review, Phase I West’s annual toll revenue amounted to RMB10.8 million per km. The gradual growth of Phase II West’s average daily toll revenue leads the Group to believe that its cash flow will achieve the breakeven point.

Phase I West and Phase II West have become the most convenient means of access from Zhongshan to Guangzhou Baiyun International Airport and Guangzhou South Railway Station. Vehicles from Phase II West can also reach Zhuhai directly via the Zhongshan-Jiangmen Expressway and its connecting expressways. The further development of the road network that connects Phase II West’s interchanges is expected to give Phase II West more outstanding competitive advantages. The West Route JV has been implementing a publicity programme to familiarise drivers with Phase II West. This includes the installation of more road signage on connecting expressways and local roads, radio broadcasting, etc.

The prices of construction materials in the PRC have eased from their high levels since mid-2008, and local banks there have reduced their interest rates on loans since September 2008. The final cost of Phase II West is about RMB7,000 million, which is lower than the budgeted cost of RMB7,200 million announced on 2 September 2008.

Phase III of the Western Delta Route

Phase III West is an approximately 38 km closed expressway with a total of six lanes in dual directions. It is connected to Phase II West in Zhongshan at its northern end, and extends southward to link with Zhuhai's highway network, providing direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai and Macau. At present, the planned total investment for the project is RMB5,600 million. The National Development and Reform Commission approved Phase III West in December 2009. Its groundbreaking ceremony was held on 28 December 2009. Phase III West is planned to be completed and operational by the end of 2013.

The relevant PRC authorities approved the Group to use Renminbi for its injection of registered capital into the West Route JV in respect of Phase III West in June 2010, and a RMB3,930 million PRC syndicated bank loan contract for the project was signed in April 2010.

The Group will endeavour to expedite the construction of Phase III West. When it opens, the whole Western Delta Route will become the main artery of a regional expressway network on the western bank of the PRD that will link Guangzhou, Foshan, Zhongshan, Zhuhai, Hengqin and Macau. It will also be directly connected with various major expressways along the route, including the Guangzhou Ring Road, Guangzhou-Gaoming Expressway, Guangzhou Second Ring Road, Zhongshan-Jiangmen Expressway and Western Coastal Expressway, as well as expressways linking Hengqin (the third State-level Strategic New Zone under development after Shanghai's Pudong district and Tianjin's Binhai area) in Zhuhai and the HZM Bridge. In addition, these will altogether form a strategic expressway network that comprehensively covers most of the prosperous cities on the western bank of the PRD and offers convenient access to Macau and Hong Kong.

Western Delta Route and Highway Network to HZM Bridge, Hengqin, Zhuhai and Macau



Financial Review

For the financial year ended 30 June 2010, the performance of the Group is reported as follows:

	Year ended 30 June					
	2009			2010		
	Net toll revenue HK\$ million	EBIT HK\$ million	Results HK\$ million	Net toll revenue HK\$ million	EBIT HK\$ million	Results HK\$ million
Project contributions:						
GS Superhighway ⁽¹⁾	1,727	1,276	1,000	1,851	1,296	980
Phase I West	82	56	23	88	59	35
Phase II West	-	-	-	1	0	(2)
Net toll revenue/EBIT/Net profit of projects	1,809	1,332	1,023	1,940	1,355	1,013
Corporate results:						
Interest income from bank deposits			72			9
Other income ⁽²⁾			58			4
General and administrative expenses			(46)			(40)
Finance costs ⁽³⁾			(28)			(12)
Income tax expenses			(0)			(0)
			56			(39)
Net exchange loss			(2)			(1)
Profit for the year			1,077			973
Non-controlling interests			(18)			(17)
Profit attributable to owners of the Company			1,059			956

Notes:

- (1) Excluding exchange differences from US\$ and HK\$ loans.
- (2) Including notional interest income HK\$Nil (year ended 30 June 2009: HK\$55 million)
- (3) Including notional interest expenses HK\$Nil (year ended 30 June 2009: HK\$16 million)

The aggregate net toll revenue of the expressway projects proportionately shared by the Group for the year ended 30 June 2010 recorded an increase of 7% to HK\$1,940 million from HK\$1,809 million of the last corresponding year. Growth was driven by the increase in demand for passenger and freight transportation along with strong car sales and economic recovery of the PRC, as the impact of the financial tsunami subsided. Phase II West commenced operation on 25 June 2010 with six days performance for the financial year ended 30 June 2010. Among the aggregate net toll revenue proportionately shared by the Group, GS Superhighway, Phase I West and Phase II West contributed 95.4% (or HK\$1,851 million), 4.5% (or HK\$88 million) and 0.1% (or HK\$1 million) respectively.

Despite the increase in operating expenses and general and administrative expenses of the two joint venture companies, and the increase of depreciation in line with the traffic volume increase, the aggregate EBIT of projects still rose by 2% to HK\$1,355 million. The aggregate net profit of projects (excluding exchange difference from US Dollar and HK Dollar loans of GS Superhighway JV) decreased by 1% from HK\$1,023 million to HK\$1,013 million, mainly because the rise in aggregate net toll revenue of the projects and the drop in interest costs were offset by the significant increase in tax expenses due to stepping up of applicable Enterprise Income Tax rate for GS Superhighway in 2010.

The profit attributable to owners of the Company decreased by 10% from HK\$1,059 million to HK\$956 million for the year, mainly attributable to the significant rise in tax rate offsetting the growth in toll revenue and the drop in interest income on bank deposits of the Group which in turn was due to the fall in interest rates and bank balance.

During the year ended 30 June 2010, the consolidated toll expressway operation expenses and general and administrative expenses increased by 17% from HK\$227 million to HK\$265 million from the last year, mainly attributable to some engineering works such as improvement of road safety facilities, upgrading of toll plazas, enhancement of toll collection system and road surface maintenance performed during the year.

The increase in consolidated depreciation and amortization charges of 10% from HK\$307 million to HK\$337 million was in line with the increase in aggregate daily traffic of GS Superhighway and Phase I West by 12% from 342,000 vehicles to 383,000 vehicles.

As the Group (not including the joint venture companies) had no corporate debt throughout both years ended 30 June 2009 and 2010, the consolidated finance costs comprised mainly finance costs of the joint venture companies proportionately shared by the Group. The consolidated finance costs decreased by 56% from HK\$162 million to HK\$72 million for the year ended 30 June 2010, mainly due to the drop in interest rate of the US\$ bank loans of a joint venture company.

Liquidity and Financial Resources

The Group, being the Company and its subsidiaries, had no corporate debt outstanding as at 30 June 2009 and 2010. The Group's debt balance comprised solely its proportionate share of project loans from its PRC joint venture companies. The Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to owners of the Company) were 40% (2009: 37%) and 43% (2009: 30%) respectively. The gearing structure is set out below:

	Year ended 30 June	
	2009 HK\$ million	2010 HK\$ million
Total debt		
- Company and subsidiaries	0	0
- Joint venture companies	5,379	6,465
Net debt ^(Note)	2,482	3,600
Total assets	14,588	16,093
Equity attributable to owners of the Company	8,341	8,300
Total debt / Total assets ratio	37%	40%
Gearing ratio	30%	43%

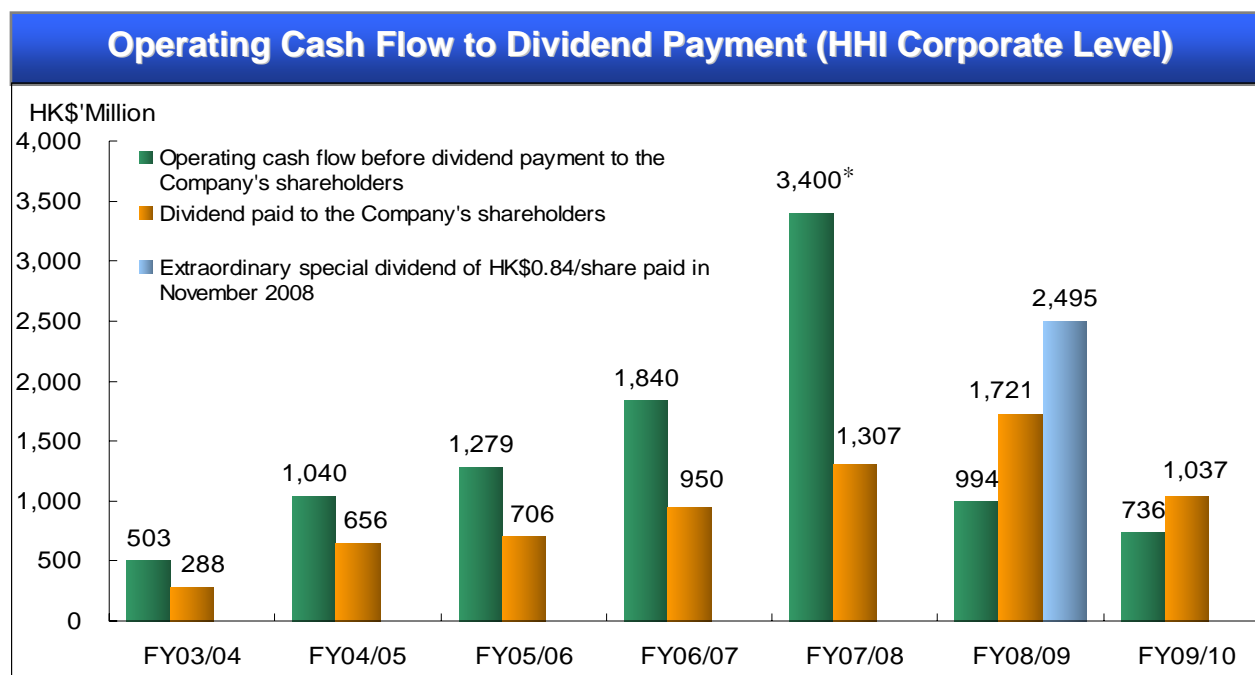
Note: Net debt is defined as total debt less bank balances and cash together with pledged bank balances and deposits.

The cash balance of the Group as at 30 June 2010 was HK\$2,475 million or HK\$0.8 per share and about 55% thereof will be used for capital contributions for Phase II West and Phase III West. In the absence of new project commitment, the remaining cash balance can be maintained till the completion of Phase III West in 2013.

The major source of cash inflow of the Group is the dividends receivable from its joint venture companies. The major cash outflow is the payment of dividends to the shareholders of the Company.

The net operating cash inflow before dividend payment to the Company's shareholders (excluding the cash inflow of the joint venture companies proportionately shared by the Group) amounted to approximately HK\$736 million for the year ended 30 June 2010 (2009: HK\$994 million). In view of the strong financial position, the Board set the target dividend payout ratio of the Company as 100%. Subsequent to the Company's IPO in August 2003, the Company has accumulated a cash surplus (the operating cash inflow less the dividends paid by the Company and proceeds from the IPO) of approximately HK\$632 million. Based on the current operating cash flow, this target payout ratio is sustainable.

The Company successfully issued 2-year RMB1.38 billion corporate bonds to institutional investors on 13 July 2010 and became the first non-financial institution to issue RMB bonds in Hong Kong. The RMB proceeds raised from such issuance will be used to develop and expand business of the Group including Phase III West. The corporate bonds will mature on 13 July 2012. The interest costs of issuing RMB bonds in Hong Kong are lower than that of obtaining PRC bank loans of the same maturity.



* Including cash inflow of approximately HK\$1.6 billion from the disposal of the Group's entire interest in ESW Ring Road

As at 30 June 2010, the bank balances and cash of the Group amounted to HK\$2,475 million (2009: HK\$2,775 million) and of the joint venture companies proportionately shared by the Group amounted to HK\$390 million (2009: HK\$122 million). Coupled with the stable cash dividends received and receivable from GS Superhighway JV (from which the Group had received cash dividends of HK\$982 million, HK\$1,065 million, HK\$614 million and HK\$1,048 million for the years ended 30 June 2010, 2009, 2008 and 2007 respectively), the Group has sufficient financial resources to cater for its recurring operating activities, present and potential investment activities.

As at 30 June 2010, the bank balances and cash of the Group amounted to HK\$2,475 million (2009: HK\$2,775 million) with 88.05% (2009: 69%) was denominated in HK Dollar, 11.94% (2009: nil) was denominated in RMB and 0.01% (2009: 31%) was denominated in US Dollar.

The project loans of the joint venture companies proportionately shared by the Group have been well covered by the cash flow of the respective joint venture companies. Interest coverage (EBITDA to finance costs ratio) of GS Superhighway JV and West Route JV for the year ended 30 June 2010 were 53 times (2009: 17 times) and 6 times (2009: 10 times) respectively.

As at 30 June 2010, the bank and other borrowings of the joint venture companies proportionately shared by the Group amounted to approximately HK\$5,916 million (2009: HK\$5,238 million) with the following profile:

- (a) 99.9% (2009: 99.9%) was bank loans and 0.1% (2009: 0.1%) was other loan; and
- (b) 45% (2009: 53%) was denominated in US Dollar; 50% (2009: 40%) was denominated in RMB and 5% (2009: 7%) was denominated in HK Dollar.

As at 30 August 2010, the bank and other borrowings of joint venture companies proportionately shared by the Group together with the RMB corporate bonds raised by the Company on 13 July 2010 amounted to HK\$7,495 million. 36%, 60% and 4% of the bank and other borrowings were denominated in US Dollar, RMB and HK Dollar respectively.

The net current assets of the Group decreased by 50% from approximately HK\$2,182 million as at 30 June 2009 to approximately HK\$1,089 million as at 30 June 2010 mainly because of the increase in accruals for the construction cost of Phase II West and short-term bridging borrowings for the construction payments of Phase III West during the year.

Debt Maturity Profile

The maturity profile of bank and other borrowings of the joint venture companies proportionately shared by the Group as at 30 June 2010 as compared to that as at 30 June 2009 is shown as follows:

	As at 30 June			
	2009		2010	
	HK\$ million	%	HK\$ million	%
Repayable within 1 year	344	6%	651	11%
Repayable between 1 to 5 years	1,350	26%	1,493	25%
Repayable beyond 5 years	3,544	68%	3,772	64%
	5,238	100%	5,916	100%

Other than the above, the Group, being the Company and its subsidiaries, had no corporate debt outstanding both as at 30 June 2009 and 2010. All of the bank borrowings of the joint venture companies are from banks in PRC and are carrying interest at floating interest rates. In the absence of new project commitment, the bank borrowings of the joint venture companies proportionately shared by the Group will not exceed HK\$7,600 million in 2013 following the completion of Phase III West.

In June and August 2009, West Route JV had successfully refinanced the project loans for Phase I West with long-term loans that have revolving facility at lower interest rate from a bank in PRC. The interest rate was reduced from 5.35% to 4.37%. The refinancing helps reduce interest costs and the new bank loans are more flexible and effective in cash management as well as more responsive to interest rate changes. In addition, in the year under review, West Route JV continued to utilize 6-month commercial bills to finance its payment of construction costs of Phase II West, which saved interest costs. In April 2010, the West Route JV signed a RMB3,930 million 18-year project loan for Phase III West with a group of seven banks of the PRC.

As mentioned above, the Company issued 2-year RMB1.38 billion corporate bonds on 13 July 2010 and the bonds will mature on 13 July 2012.

Interest Rate and Exchange Rate Exposures

The Group closely monitors its interest rate and foreign exchange rate exposure. The use of financial instrument is strictly controlled. At present, neither the Group nor the joint venture companies have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposure.

Since April 2010, the previous practice has been changed such that the Group's share of profits from the two PRC joint venture companies can be remitted in RMB directly to Hong Kong without first being converted into HK Dollar or US Dollar. As at 30 June 2010, the RMB cash balance of the Group amounted to RMB258 million, comprising approximately 12% of the Group's total cash balance. This rose to 86% of the bank balances and cash of the Group of HK\$4,162 million as of 30 August 2010, while the remaining cash balance was in US Dollar and HK Dollar. It is currently planned that cash balance will be mainly denominated in RMB in the future which is in line with RMB as the Group's functional currency. Except for State-owned companies, the Group is one of the few Hong Kong companies with income mainly denominated in RMB. With all investment projects situated in the PRC, holding RMB cash can help avoid risks associated with RMB exchange rate changes. This will definitely be beneficial to the development of the Group's businesses.

Treasury Policies

The Group continues to adopt prudent and conservative treasury policies in financial and funding management. Its liquidity and financial resources are reviewed on a regular basis to minimize the cost of funding and enhance the return on financial assets. All of its cash are generally placed in short-term deposits denominated mainly in HK Dollar and RMB. Given that holding RMB cash can match the Group's RMB-based operations and can earn higher interest income on RMB deposits, the Group has increased its RMB bank deposits and reduced those in HK Dollar. RMB bank deposits increased from 12% of total cash as of 30 June 2010 to 86% as of 30 August 2010. The Group has not invested in any financial derivative instruments nor accumulators.

Capital Commitments

As at 30 June 2010, the Group agreed, subject to approval of relevant authorities, to make additional capital contributions to West Route JV for development of Phase II West of approximately RMB402.5 million (2009: RMB402.5 million). It is currently planned that the Group will make such capital contribution in financial year 2010/11.

The Group also had outstanding commitments to make capital contributions to West Route JV for development of Phase III West of approximately RMB784 million (2009: RMB980 million) within two years from June 2010. 20% of the capital contribution for the project had been made in the financial year ended 30 June 2010. It is currently planned that the Group will make its remaining capital contribution for Phase III West before the end of financial years 2010/11 and 2011/12 in the proportion of 50% and 30% respectively.

As at 30 June 2010, GS Superhighway JV and West Route JV, being 48% and 50% proportionately shared by the Group respectively, had outstanding commitments in respect of the acquisition of property and equipment and construction of Phase III West contracted but not provided for totalling approximately HK\$1,331 million (2009: HK\$521 million).

Pledge of Assets

As at 30 June 2010, certain assets of the joint venture companies of the Group were pledged to banks to secure banking facilities granted to the joint venture companies. The carrying amounts of these assets proportionately shared by the Group are analyzed as follows:

	As at 30 June	
	2009 HK\$ million	2010 HK\$ million
Concession intangible assets, and property and equipment	7,262	7,023
Inventories	2	2
Other receivables, and deposits and prepayments	73	63
Bank balances and deposits	119	122
	7,456	7,210

As at 30 June 2009, the toll expressway of GS Superhighway JV and 26% of the toll expressway and the land use rights of West Route JV in respect of Phase I West, collectively classified as concession intangible assets, together with the toll collection rights of GS Superhighway JV and 26% of the toll collection rights of Phase I West were pledged to banks to secure banking facilities granted to the respective joint venture company. As at 30 June 2010, the toll expressway of GS Superhighway JV classified as concession intangible assets and certain bank balances and deposits of West Route JV in respect of Phase I West, together with the toll collection rights of GS Superhighway and Phase II West, and 53.4% of the toll collection rights of Phase I West were pledged to banks to secure banking facilities granted to the respective joint venture company.

Contingent Liabilities

As at 30 June 2010, there were no material contingent liabilities for the Group.

Material Acquisition or Disposal

During the year ended 30 June 2010, there was no material acquisition or disposal of the Company's subsidiaries or associated companies.

Subsequent Event

The Company successfully issued RMB1.38 billion corporate bonds to institutional investors on 13 July 2010 and became the first non-financial institution to issue RMB bonds in Hong Kong. The RMB proceeds raised from such issuance will be used to develop and expand business of the Group including Phase III West of which approval for registered capital injection in RMB had been obtained. The interest costs of issuing RMB bonds in Hong Kong are lower than that of obtaining PRC bank loans of the same maturity. The bonds issuance had also opened up new financing channels for the Group. Since the revenues of the Company are mainly denominated in RMB, financing through the issuance of RMB bonds can optimize the Group's asset and liability structures.

OTHER DISCLOSURES

Purchase, Sale or Redemption of Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the securities of the Company during the year ended 30 June 2010.

Review of Final Results

The annual results of the Group for the year ended 30 June 2010 have been reviewed by the Audit Committee of the Company.

Compliance with the Code of Corporate Governance Practices

During the year, the Company has complied with all the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 30 June 2010

	NOTES	2009 HK\$'000	2010 HK\$'000
Toll revenue		1,809,179	1,939,557
Revenue on construction		1,215,977	1,520,870
Turnover	2	<u>3,025,156</u>	<u>3,460,427</u>
Other income and other expense	3	163,336	9,083
Construction costs		(1,215,977)	(1,520,870)
Provision for resurfacing charges		(12,674)	(9,571)
Toll expressway operation expenses		(143,423)	(183,464)
Depreciation and amortization charges		(307,102)	(336,997)
General and administrative expenses		(83,513)	(81,992)
Finance costs	4	<u>(161,506)</u>	<u>(72,067)</u>
Profit before tax		1,264,297	1,264,549
Income tax expenses	5	<u>(187,303)</u>	<u>(291,400)</u>
Profit for the year	6	<u>1,076,994</u>	<u>973,149</u>
Other comprehensive income			
Exchange (loss) gain arising on translation to presentation currency		<u>(15,170)</u>	<u>39,686</u>
Total comprehensive income for the year		<u>1,061,824</u>	<u>1,012,835</u>
Profit for the year attributable to:			
Owners of the Company		1,059,399	955,912
Non-controlling interests		17,595	17,237
		<u>1,076,994</u>	<u>973,149</u>
Total comprehensive income attributable to:			
Owners of the Company		1,044,229	995,598
Non-controlling interests		17,595	17,237
		<u>1,061,824</u>	<u>1,012,835</u>
		HK Cents	HK Cents
Earnings per share	8		
Basic		<u>35.72</u>	<u>32.28</u>
Diluted		<u>35.72</u>	<u>32.28</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	2009 HK\$'000	2010 HK\$'000
ASSETS		
Non-current Assets		
Property and equipment	189,401	307,095
Concession intangible assets	11,279,829	12,574,054
Balance with a jointly controlled entity	141,062	177,430
	11,610,292	13,058,579
Current Assets		
Inventories	2,370	1,995
Deposits and prepayments	15,192	63,228
Other receivables	62,666	67,339
Other receivable from a jointly controlled entity	-	37,218
Pledged bank balances and deposits of jointly controlled entities	118,927	122,119
Bank balances and cash		
- The Group	2,775,222	2,474,859
- Jointly controlled entities	3,136	268,055
	2,977,513	3,034,813
Total Assets	14,587,805	16,093,392
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	296,169	296,169
Share premium and reserves	8,044,836	8,003,982
Equity attributable to owners of the Company	8,341,005	8,300,151
Non-controlling interests	47,930	51,847
Total Equity	8,388,935	8,351,998
Non-current Liabilities		
Other payables	39,732	-
Bank and other loans of jointly controlled entities	4,893,801	5,265,080
Balance with a joint venture partner	141,010	177,376
Resurfacing obligations	8,421	28,010
Deferred tax liabilities	320,307	325,510
	5,403,271	5,795,976
Current Liabilities		
Other payables, accruals and deposits received	387,443	798,771
Provision	-	33,034
Balances with joint venture partners	-	371,628
Bank loans of jointly controlled entities	344,344	650,867
Other interest payable	3,604	5,208
Tax liabilities	32,029	85,910
Resurfacing obligations	28,179	-
	795,599	1,945,418
Total Liabilities	6,198,870	7,741,394
Total Equity and Liabilities	14,587,805	16,093,392

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the International Accounting Standards Board (collectively referred to as the "new and revised IFRSs").

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 3 (Revised)	Business Combinations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in May 2008
IFRSs (Amendments)	Improvements to IFRSs issued in April 2009 except for the improvements that are effective for annual periods beginning on or after 1 January 2010

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised) "Presentation of Financial Statements"

IAS 1 (Revised) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

IFRS 8 "Operating Segments"

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 2).

The Group has not early applied the following new and revised Standards, Amendments or Interpretation that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs April 2009 that are effective for annual periods on or after 1 January 2010 ¹
IFRSs (Amendments)	Improvements to IFRSs May 2010 ²
IAS 24 (Revised)	Related Party Disclosures ⁶
IAS 32 (Amendment)	Classification of Rights Issues ⁴
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ⁵
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
IFRS 9	Financial Instruments ⁷
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Amendments that are effective for annual periods beginning on or after 1 January 2010, as appropriate

² Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of these new and revised Standards, Amendments or Interpretation will have no material impact on the consolidated financial statements.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the Group's proportionate share of the jointly controlled entities' toll revenue received and receivable from the operations of toll expressways in the People's Republic of China ("the PRC"), net of business tax, and revenue on construction and is analyzed as follows:

	2009 HK\$'000	2010 HK\$'000
Toll revenue before business tax	1,865,145	1,999,580
Business tax	(55,966)	(60,023)
	<u>1,809,179</u>	<u>1,939,557</u>
Revenue on construction	1,215,977	1,520,870
	<u>3,025,156</u>	<u>3,460,427</u>

The Group has adopted IFRS 8 "Operating Segments" with effect from 1 July 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard, IAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group had only one business segment, namely the construction under service concession, development, operation and management of toll expressways in the PRC through its jointly controlled entities established in the PRC. Accordingly, no business and geographical segments were presented. As a result, the application of IFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary reportable segments determined in accordance with IAS 14.

Information reported to the chief operating decision maker, including segment revenue, earnings before interest and tax ("EBIT") and segment result, is more specifically focused on individual toll expressways projects jointly operated and managed by the Group and the relevant joint venture partners. The Group's operating segments under IFRS 8 are therefore as follows:

- Guangzhou-Shenzhen Superhighway ("GS Superhighway")
- Phase I of the Western Delta Route ("Phase I West")
- Phase II of the Western Delta Route ("Phase II West")

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Segment revenue and results

	2009			2010		
	Segment revenue	EBIT	Segment result	Segment revenue	EBIT	Segment result
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
GS Superhighway	1,726,894	1,275,791	999,666	1,850,658	1,295,863	980,357
Phase I West	82,285	56,673	23,782	87,788	59,439	34,990
Phase II West	-	-	-	1,111	135	(2,404)
Total	1,809,179	1,332,464	1,023,448	1,939,557	1,355,437	1,012,943
Corporate interest income from bank deposits			71,612			8,851
Other income			58,005			4,560
Corporate general and administrative expenses			(45,477)			(40,164)
Corporate finance costs			(28,178)			(12,347)
Corporate income tax expense			(160)			(99)
Net exchange loss			(2,256)			(595)
Profit for the year			1,076,994			973,149

All of the segment revenue reported above is earned from external customers.

Segment result represents the profit earned or loss incurred by each segment without allocation of corporate interest income from bank deposits, other income (excluding interest income from bank deposits of jointly controlled entities, rental income and other income derived from jointly controlled entities), corporate general and administrative expenses, corporate finance costs, corporate income tax expense and net exchange loss. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Reconciliation from segment revenue to turnover

	2009	2010
	HK\$'000	HK\$'000
Segment revenue - toll revenue	1,809,179	1,939,557
Revenue on construction	1,215,977	1,520,870
Turnover	<u>3,025,156</u>	<u>3,460,427</u>

Other segment information

<u>2009</u>	<u>GS Superhighway</u>	<u>Phase I West</u>	<u>Phase II West</u>	<u>Segment total</u>	<u>Reallocation</u>	<u>Unallocated</u>	<u>Consolidated total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss:					(note)		
Depreciation and amortization	292,392	9,874	-	302,266	-	4,836	307,102
Interest income	(2,310)	(301)	-	(2,611)	(33,583)	(71,612)	(107,806)
Interest expenses	93,831	28,042	-	121,873	11,455	28,178	161,506
Income tax expenses	182,294	4,849	-	187,143	-	160	187,303

<u>2010</u>	<u>GS Superhighway</u>	<u>Phase I West</u>	<u>Phase II West</u>	<u>Segment total</u>	<u>Reallocation</u>	<u>Unallocated</u>	<u>Consolidated total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss:					(note)		
Depreciation and amortization	325,275	10,395	227	335,897	-	1,100	336,997
Interest income	(1,667)	(83)	-	(1,750)	(8,527)	(8,851)	(19,128)
Interest expenses	31,266	17,388	2,539	51,193	8,527	12,347	72,067
Income tax expenses	284,240	7,061	-	291,301	-	99	291,400

Note: Included in the measure of segment profit or loss, interest income from loan made by the Group to a jointly controlled entity and imputed interest income on interest-free registered capital contributions and loan made to a jointly controlled entity are presented with imputed interest on interest-free registered capital contributions and loan made by joint venture partners on a net basis. Amounts are reallocated to reconcile from "Segment total" to "Consolidated total".

Geographical information

The Group's operations are located in the PRC. All of the Group's revenue from external customers by location where the services were provided and the location of the non-current assets amounting to HK\$12,881,149,000 (2009: HK\$11,469,230,000) are in the PRC.

Segment assets and liabilities

Information of the operating segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

3. OTHER INCOME AND OTHER EXPENSE

	2009	2010
	HK\$'000	HK\$'000
Fair value adjustment on interest-free registered capital contributions made by a joint venture partner	61,262	-
Gain from re-estimation of future cash flows on interest-free registered capital contributions made by a joint venture partner	257,221	-
Interest income from:		
Loan made by the Group to a jointly controlled entity	99	-
Bank deposits	74,223	10,601
Imputed interest income on interest-free registered capital contributions and loan made to a jointly controlled entity	33,484	8,527
Net exchange loss	(2,256)	(595)
Rental income	6,873	4,525
Management fee income from jointly controlled entities	793	481
Gain on disposal of property and equipment	58	3
Provision charge (note)	-	(33,034)
Loss from re-estimation of future cash flows on interest-free registered capital contributions made to a jointly controlled entity	(285,838)	-
Others	17,417	18,575
	<u>163,336</u>	<u>9,083</u>

Note: The amount represented the Group's proportionate share of the provision for compensation payable to a third party for the cause of direct economic loss upon early termination of an agreement entered into by a jointly controlled entity during the year ended 30 June 2010. The management of the Company considered the jointly controlled entity has the present obligation to pay out such amount as at 30 June 2010 which is the management's best estimate with reference to terms of the contract.

4. FINANCE COSTS

	2009 HK\$'000	2010 HK\$'000
Interest on bank loans	208,259	153,455
Imputed interest on:		
Interest-free registered capital contributions and loans made by joint venture partners	27,174	8,525
Other interest-free loan	370	396
	<u>235,803</u>	<u>162,376</u>
Other financial expenses	12,394	12,328
	<u>248,197</u>	<u>174,704</u>
Less: Amounts included in toll expressway construction costs	(86,691)	(102,637)
	<u>161,506</u>	<u>72,067</u>

5. INCOME TAX EXPENSES

	2009 HK\$'000	2010 HK\$'000
The tax charge comprises:		
PRC Enterprise Income Tax		
- The Group	1,238	60,370
- Jointly controlled entities	116,941	228,372
Deferred taxation	69,124	2,658
	<u>187,303</u>	<u>291,400</u>

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

Included in the PRC Enterprise Income Tax charge of the Group are the withholding tax in relation to the dividends distributed from jointly controlled entities of the Group, namely 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") and 廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") in aggregate at HK\$60,270,000 (2009: West Route JV of HK\$1,078,000).

The PRC Enterprise Income Tax charge of the jointly controlled entities represents the Group's proportionate share of the provision for the PRC Enterprise Income Tax of GS Superhighway JV amounting to approximately HK\$224,292,000 (2009: HK\$114,896,000), which is calculated at 10% for the half year ended 31 December 2009 and 22% for the half year ended 30 June 2010 (2009: 9% for the half year ended 31 December 2008 and 10% for the half year ended 30 June 2009) of the estimated assessable profit for the relevant periods and the Group's proportionate share of the provision for the PRC Enterprise Income Tax of West Route JV in respect of Phase I West amounting to approximately HK\$4,080,000 (2009: HK\$2,045,000), which is calculated at 10% for the half year ended 31 December 2009 and 11% for the half year ended 30 June 2010 (2009: 9% for the half year ended 31 December 2008 and 10% for the half year ended 30 June 2009) of estimated assessable profit for the relevant periods.

The income tax expenses for the year can be reconciled to the profit before tax per consolidated statement of comprehensive income as follows:

	2009 HK\$'000	2010 HK\$'000
Profit before tax	<u>1,264,297</u>	<u>1,264,549</u>
Tax at normal PRC income tax rate of 25% (2009: 25%)	316,074	316,137
Effect of concessionary rate on income tax expenses	(269,837)	(122,327)
Tax effect of income not taxable for tax purposes	(188,282)	(171,028)
Tax effect of expenses not deductible for tax purposes	267,137	210,760
Differential tax rate on temporary difference of jointly controlled entities	7,927	372
Deferred tax on undistributed earnings of PRC jointly controlled entities	55,135	(2,303)
Withholding tax on earnings distributed by a PRC jointly controlled entity	-	60,270
Others	(851)	(481)
Income tax expenses	<u>187,303</u>	<u>291,400</u>

6. PROFIT FOR THE YEAR

	2009 HK\$'000	2010 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,700	1,612
Directors' remuneration	14,675	15,360
Other staff costs	101,419	114,239
Total staff costs	<u>116,094</u>	<u>129,599</u>
Amortization of concession intangible assets	277,817	306,836
Depreciation of property and equipment	29,285	30,912
Less: Amount included in toll expressway construction costs	-	(751)
	<u>29,285</u>	<u>30,161</u>
Impairment losses reversed on other receivables	(1,098)	(59)
Gain on disposal of property and equipment	<u>(58)</u>	<u>(3)</u>

7. DIVIDENDS

	2009 HK\$'000	2010 HK\$'000
Dividends paid and recognized as distribution during the year:		
Interim dividend paid of HK17 cents (2009: HK17 cents) per share	503,487	503,488
Special interim for the year ended 30 June 2009 dividend paid of HK84 cents per share	2,495,202	-
Final dividend for the year ended 30 June 2009 paid of HK18 cents (2009: year ended 30 June 2008 paid of HK13 cents) per share	386,162	533,104
Special final dividend for the year ended 30 June 2008 paid of HK28 cents per share	831,734	-
	<u>4,216,585</u>	<u>1,036,592</u>
Final dividend proposed of HK15 cents (2009: HK18 cents) per share	<u>533,104</u>	<u>444,254</u>

A special interim dividend out of the share premium in respect of the year ended 30 June 2009 of HK84 cents per share was paid to the shareholders on 14 November 2008.

A final dividend in respect of the financial year 2010 of HK15 cents per share totalling approximately HK\$444,254,000 is proposed by the Board. The dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as liabilities in these consolidated financial statements. The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these consolidated financial statements.

8. 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:

	2009	2010
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	1,059,399	955,912
	2009	2010
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,965,771,021	2,961,690,283
Effect of dilutive potential ordinary shares:		
Unvested shares awarded	216,548	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,965,987,569	2,961,690,283

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

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 for shares for years ended 30 June 2009 and 30 June 2010.

9. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities as at 30 June 2010 amounted to approximately HK\$14,147,974,000 (2009: HK\$13,792,206,000). The Group's net current assets as at 30 June 2010 amounted to approximately HK\$1,089,395,000 (2009: HK\$2,181,914,000).

As at the date of this announcement, the Board of Directors of the Company comprises six 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), Mr. Cheng Hui JIA and Mr. Alan Ming Fai TAM and five Independent Non-Executive Directors namely, Mr. Philip Tsung Cheng FEI, Mr. Lee Yick NAM, Mr. Kojiro NAKAHARA, Dr. Gordon YEN and Professor Chung Kwong POON.

GLOSSARY

“Board”	the Board of Directors of the Company
“Coastal Expressway”	Guangzhou-Shenzhen Coastal Expressway
“Company” or “HHI”	Hopewell Highway Infrastructure Limited
“Director(s)”	Director(s) of the Company
“EBITDA”	earnings before interest taxation depreciation and amortization
“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\$” or “HK Dollar”	Hong Kong Dollars
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“HZM Bridge”	the Hong Kong-Zhuhai-Macau Bridge
“JCE/JCEs”	the jointly controlled entity/entities
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“Macau”	the Macau Special Administrative Region of PRC
“Mainland”	PRC excluding Hong Kong and Macau
“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 Region
“RMB”	Renminbi
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America
“US\$” or “US Dollar”	United States Dollars
“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