



## 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 30TH JUNE, 2007

#### Financial Highlights

(in million HK dollars, unless otherwise stated)

For the year ended 30th June	2006	2007	% Change
Net toll revenue	1,735	<b>2,026</b>	+17%
Profit attributable to equity holders of the Company	1,128	<b>1,349</b>	+20%
EPS (HK cents)	38.85	<b>45.45</b>	+17%
Interim DPS (HK cents)	11.5	<b>15.0</b>	+30%
Final DPS (HK cents)	17.0	<b>20.0</b>	+18%
Total DPS (HK cents)	28.5	<b>35.0</b>	+23%

#### Chairman's Statement

I am pleased to report that Hopewell Highway Infrastructure Limited continued to deliver impressive performance for the year ended 30th June, 2007, with profit attributable to equity holders of the Company rising to HK\$1,349 million, a 20% increase over the last financial year's HK\$1,128 million. Basic earnings per share increased to HK45.45 cents, a 17% rise over the last year's HK38.85 cents per share.

The satisfactory results were driven by the continued robust economic growth in the Pearl River Delta ("PRD") region which resulted in a 14% growth in the aggregate average daily traffic flow of the Group's expressways, the Guangzhou-Shenzhen Superhighway ("GS Superhighway") and the Phase I of the Western Delta Route ("Phase I West"), and also a 17% increase in the total toll revenue as compared to that of the last financial year. The average daily toll revenue of the Guangzhou East-South-West Ring Road ("ESW Ring Road") was about the same as last financial year.

The Board of Directors has recommended a final dividend of HK20 cents per share. Together with the interim dividend of HK15 cents per share, the dividend for the full year will be HK35 cents per share, a 23% increase as compared to HK28.5 cents for the last financial year. Subject to approval of the shareholders at the forthcoming annual general meeting to be held on 4th October, 2007, the proposed final dividend will be paid on or about 5th October, 2007 to shareholders as registered at the close of business on 4th October, 2007.

The Register of Members of the Company will be closed from Friday, 28th September, 2007 to Thursday, 4th October, 2007, both days inclusive, during which 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 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 4:00 p.m. on Thursday, 27th September, 2007.

## Financial Status

The Group's financial position has been sound and solid during the financial year ended 30th June, 2007. Due to the continuing steady growth in traffic flow and toll revenue on the expressways, the Group's net toll revenue for the year ended 30th June, 2007 increased from HK\$1,735 million to HK\$2,026 million, up 17%.

Financial year	2006	2007	Growth Rate
<b><i>GS Superhighway</i></b>			
Average Daily Traffic (No. of vehicles '000)	270	<b>324</b>	20%
Average Daily Toll Revenue (RMB '000)	8,800	<b>10,035</b>	14%
<b><i>ESW Ring Road</i></b>			
Average Daily Traffic (No. of vehicles '000)	84	<b>81</b>	-4%
Average Daily Toll Revenue (RMB '000)	1,150	<b>1,149</b>	0%
<b><i>Phase I West</i></b>			
Average Daily Traffic (No. of vehicles '000)	23	<b>26</b>	13%
Average Daily Toll Revenue (RMB '000)	340	<b>376</b>	11%

In addition, the Group also benefited from the appreciation of the Renminbi given that 61% of the loans of the joint venture companies are in US Dollar. As a result, the Group recorded an exchange gain of HK\$236 million during the year.

The Group's balance sheet remained very strong. Net current assets reached HK\$3,902 million as at 30th June, 2007, a 27% increase over the HK\$3,065 million as at the last financial year end. Benefiting from the strong cash flow generated by its expressway projects, net gearing (total debt less bank balances and cash, pledged bank balances and deposits to total equity) for the financial year 2007 reduced to 13%, as compared to last financial year's 18%. Net cash from operating activities increased to HK\$1,758 million, a 20% rise over last year. As at 30th June, 2007, the Group had HK\$3.9 billion cash on hand and unutilized syndicated bank loan facility of HK\$3.6 billion. Such a solid financial position will definitely strengthen the Group's capabilities in capturing future investing opportunities.

## Business Review and Outlook

The persistent and robust economic development of the Guangdong Province and the PRD region has generated both passenger and cargo flow, which resulted in large travelling demand. In addition, the continuous expansion of the PRD expressway network, improved standard of living of people in the region, substantial increase in car ownership, rapid growth in passenger and freight transportation and logistics industry also generate tremendous traffic demand in the region. The Group expects the stable growth in traffic flow and toll revenue and the increasing importance of the GS Superhighway and Phase I West will continue. At the same time, the growing economies will provide the Group with more commercial opportunities.

GS Superhighway has demonstrated consistent steady growth in traffic and toll revenue since its opening to traffic in 1994. Since mid-September 2006, Shenzhen authorities have restricted heavy trucks to run on some of its local roads which helped boost traffic of the GS Superhighway. With the continuous economic development of Guangdong Province and the rapid increase in car ownership,

the Group believes that the traffic flow and toll revenue of GS Superhighway will maintain stable growth. To cater for the increasing traffic demand, the GS Superhighway joint venture company has been actively refining the feasibility of widening GS Superhighway to dual five-lane.

During the year under review, two local toll free roads were opened which had diverted traffic from the ESW Ring Road.

On 9th August, 2007, a wholly-owned subsidiary of the Company entered into an agreement with one of the joint venture partners of the Guangzhou East-South-West Ring Road joint venture for the sale of its entire interest, including rights, duties and obligations in the Guangzhou East-South-West Ring Road joint venture, for a consideration of RMB1,712.55 million. Completion of the agreement is subject to approval of the transaction by the respective shareholders of the Company and Hopewell Holdings Limited (“HHL”), parent company of the Company, and the approval of the relevant PRC authorities within 180 days of the date of the agreement (or such other date as the parties may be mutually agreed).

In November 2006, a local toll free road in Foshan, parallel to Phase I West, was opened. This has resulted in traffic diversion and slowed down the growth of Phase I West. The joint venture company has been taking measures to attract more traffic.

While the Central Government has implemented country-wide stricter control and approval policy on land use which make land acquisition and demolition more difficult and also prolong the time of land handover, the construction of Phase II of the Western Delta Route (“Phase II West”) has been proceeding and is currently planned to be completed by end of 2009.

The Group reached consensus with its PRC partner (also the PRC partner of the Phase I West and Phase II West) on the terms of investment, construction and operation of Phase III of the Western Delta Route (“Phase III West”). The preparation work for project approval application of Phase III West is underway. Upon the completion of the Western Delta Route, it will be a strategic expressway directly linking up Guangzhou and Zhuhai along the western bank of the PRD. According to the Outline Plan of the Eleventh Five-Year Plan on National Economic and Social Development, the Guangdong Government will accelerate the development in the western flank of the PRD. The Group believes that the Western Delta Route will benefit from the above plan.

During the year under review, the Group has put more emphasis to enhance the traffic management in order to improve service quality, efficiency and safety of its expressways. Manpower and equipment have been increased in road patrol, rescue and traffic control to enhance traffic safety and improve the efficiency and effectiveness in handling traffic accidents and meeting emergencies. As a result, the number of fatal in the accidents had been substantially reduced.

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

### **Change of Director**

The Board welcomes Mr. Yuk Keung IP joining the Company as an Independent Non-Executive Director and a member of the Audit Committee with effect from 13th August, 2007. Mr. Ip also serves as an independent non-executive director and a member of the audit committee of HHL with effect from the same date.

## Appreciation

I would like to take this opportunity to thank my fellow directors, senior 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, 21st August, 2007

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## FINANCIAL REVIEW

### Group Results

For the financial year ended 30th June, 2007, the net toll revenue of the Group increased 17% to HK\$2,026 million from HK\$1,735 million of the last corresponding year, mainly due to the rise in traffic flow of the Group's expressways in the People's Republic of China (the "PRC"). Of the total toll revenue, Guangzhou-Shenzhen Superhighway ("GS Superhighway") contributed 88% or HK\$1,777 million, whereas Guangzhou East-South-West Ring Road ("ESW Ring Road") and Phase I of the Western Delta Route ("Phase I West") contributed 9% or HK\$183 million and 3% or HK\$66 million respectively. The toll revenue increased HK\$291 million, of which GS Superhighway shared HK\$276 million, ESW Ring Road and Phase I West shared HK\$7 million and HK\$8 million respectively.

The Group's proportionately shared net toll revenue is set out as follows:

	<b>Year ended 30th June</b>	
	2006	2007
	HK\$ million	HK\$ million
GS Superhighway	1,501	<b>1,777</b>
ESW Ring Road	176	<b>183</b>
Phase I West	58	<b>66</b>
	<u>1,735</u>	<u><b>2,026</b></u>

Total expenses for the financial year ended 30th June, 2007, including toll operation expenses, depreciation and amortisation charges, and general and administrative expenses increased 18% from HK\$525 million of the last corresponding year to HK\$622 million, mainly due to the increase in depreciation and amortisation charges. Under the Group's accounting policies, depreciation and amortisation charges of toll expressways and additional investment costs are calculated based on the ratio of actual traffic volume in the year compared to the total expected traffic volume over the remaining concession period of the respective jointly controlled entity, depreciation and amortisation charges increased HK\$61 million in the current financial year as a result of the strong growth of traffic flow.

Other income included a one-off adjustment on imputed interest income amounting to approximately HK\$66 million arising from repayment of interest-free shareholder's loan by Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), a jointly controlled entity of the Group, in accordance with the applicable International Financial Reporting Standards ("IFRS"). Correspondingly, finance costs included a one-off adjustment on imputed interest expenses amounting to approximately HK\$139 million as a consequence of repayment of interest-free shareholders' loans by Ring Road JV to the joint venture partners of Ring Road JV, in accordance with applicable IFRS. The net financial impact arising on the above IFRS adjustments is to reduce the profit for the year amounting to approximately HK\$73 million.

Despite the IFRS adjustments on imputed interest income and expenses, the profit attributable to equity holders of the Company increased 20% to HK\$1,349 million from HK\$1,128 million of the last corresponding year, mainly due to robust growth in toll revenue, improvements in the yields on the Group's bank balances and benefits from Renminbi appreciation, including an exchange gain on retranslation of the United States dollar bank loans borrowed by a PRC jointly controlled entity.

### Liquidity and Financial Resources

The Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to the equity holders of the Company) were 33% (2006: 33%) and 13% (2006: 18%) respectively. The gearing structure is set out below:

	<b>At 30th June</b>	
	2006	2007
	HK\$ million	HK\$ million
Total debt	5,283	<b>5,818</b>
Net debt <sup>(Note)</sup>	1,875	<b>1,470</b>
Total assets	16,076	<b>17,425</b>
Equity attributable to the equity holders of the Company	<u>10,300</u>	<u><b>10,895</b></u>
Total debt/Total assets	33%	<b>33%</b>
Net debt/Equity attributable to the equity holders of the Company	<u>18%</u>	<u><b>13%</b></u>

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

At 30th June, 2007, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to approximately HK\$5,215 million (2006: HK\$4,642 million) with the following profile:

- (a) 99.9% (2006: 98%) was bank loans and 0.1% (2006: 2%) was other loans; and
- (b) 61% (2006: 71%) was denominated in United States dollars, 29% (2006: 29%) was denominated in Renminbi and 10% (2006: Nil) was denominated in Hong Kong dollars.

The net current assets of the Group increased 27% from approximately HK\$3,065 million at 30th June, 2006 to approximately HK\$3,902 million at 30th June, 2007.

In October 2005, the Group obtained a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3.6 billion and the facility was undrawn at 30th June 2006 and 2007.

In June 2007, Ring Road JV entered into agreements with PRC banks to obtain additional loans to finance repayment of substantially all of the outstanding shareholders' loans to the joint venture partners and the Group had received the repayment amounting to approximately HK\$673 million upto 30th June, 2007.

At 30th June 2007, the Group has bank balances and cash of approximately HK\$3,904 million (2006: HK\$3,014 million), together with undrawn facility of HK\$3,600 million (2006: HK\$3,600 million), the Group's funding capabilities have been further strengthened for the planned and potential investment opportunities, including and in particular the Hong Kong-Zhuhai-Macau Bridge project.

### **Warrants**

The warrants of the Company carrying subscriptions rights in aggregate of HK\$365,890,598 were created and issued in registered form on 5th August, 2003 which conferred the right to registered holders to subscribe for shares of the Company at an initial subscription price of HK\$4.18 per shares exercisable during the period from 6th August, 2003 to 5th August, 2006 ("Subscription Rights"). By the date of expiry, the Subscription Rights of HK\$357,499,863 (representing 98% of the aggregate Subscription Rights) were exercised by registered holders to convert into 85,526,283 shares of the Company.

### **Debt Maturity Profile**

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 30th June, 2007 as compared to that at 30th June, 2006 is shown as follows:

	<b>At 30th June</b>	
	2006	2007
Repayable within 1 year	6%	4%
Repayable between 1 to 5 years	22%	25%
Repayable beyond 5 years	72%	71%

Other than the above, the Group has no other bank borrowings both at 30th June, 2006 and 2007. Bank borrowings of the jointly controlled entities carry floating interest rates.

### **Interest Rate and Exchange Rate Exposures**

There have been no significant changes in the Group's policy in terms of interest rate and exchange rate exposures. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures. The cash dividends received from the Group's jointly controlled entities are settled in Hong Kong dollars whereas the Group's expenses are mainly in Hong Kong dollars. In addition, substantial portion of bank borrowings of a jointly controlled entity is denominated in United States dollars which generated an exchange gain upon retranslation of such United States dollars bank borrowings.

### **Treasury Policies**

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

### **Capital Commitments**

During the year ended 30th June, 2007, the Group had made capital contribution to Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV"), a jointly controlled entity of the Group, for development of the Phase II of the Western Delta Route amounting to approximately HK\$179 million. At 30th June, 2007, the Group had outstanding commitments to make capital contribution to West Route JV totalling approximately HK\$700 million (2006: HK\$833 million).

At 30th June, 2007, the Group had agreed, subject to the approval of the relevant authorities, to make capital contribution to West Route JV for development of the Phase III of the Western Delta Route totalling approximately HK\$585 million (2006: HK\$555 million).

At 30th June, 2007, GS Superhighway JV, Ring Road JV and West Route JV had outstanding commitments proportionately shared by the Group in respect of acquisition of property and equipment, and construction of the Phase II of the Western Delta Route contracted but not provided for totaling approximately HK\$1,426 million (2006: HK\$19 million).

### **Charges on Assets**

At 30th June, 2007, certain assets of the jointly controlled entities of the Group were pledged to banks to secure general banking facilities granted to the jointly controlled entities. The carrying amounts of these assets are analysed as follows:

	<b>At 30th June</b>	
	2006	2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
Toll expressways	6,942	<b>6,973</b>
Prepaid lease payments	84	<b>85</b>
Bank balances and deposits	358	<b>393</b>
Other assets	176	<b>231</b>
	<u>7,560</u>	<u><b>7,682</b></u>

At 30th June, 2006 and 2007, the toll collection right of GS Superhighway JV was pledged to banks to secure general banking facilities granted to the jointly controlled entity. In addition, 90% (2006: 90%) and 65% (2006: 65%) of the toll collection rights of Ring Road JV and West Route JV respectively were pledged to banks to secure general banking facilities granted to the respective jointly controlled entities.

### **Contingent Liabilities**

At 30th June, 2007, there was no material contingent liabilities for the Group since 30th June, 2006.

### **Material Acquisition or Disposal**

During the year ended 30th June 2007, there was no material acquisition or disposal of the Company's subsidiaries or associated companies.

### **Post Balance Sheet Event**

On 9th August, 2007, the Group entered into an agreement with the PRC joint venture partner of Ring Road JV pursuant to which the Group agreed to sell, and the PRC partner of Ring Road JV agreed to purchase, the entire 45% interest of the Group in Ring Road JV and other rights, duties and obligations in the ESW Ring Road project for a consideration of RMB1,712.55 million. The completion of the agreement is subject to the approval by the shareholders of the Company and Hopewell Holdings Limited, the ultimate holding company, and relevant PRC authorities within 180 days of the date of the agreement (or such other date as may be mutually agreed).

Such disposal transaction constituted a disclosable and connected transaction of the Group. Details of the disposal can be referred to the announcement of the Company and Hopewell Holdings Limited dated 9th August, 2007.

## 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.

### Review of Final Results

The annual results of the Group for the year ended 30th June, 2007 have been reviewed by the Audit Committee of the Company.

### Compliance with the Code of Corporate Governance Practices

During the year, the Company has met the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## CONSOLIDATED INCOME STATEMENT

For the year ended 30t June, 2007

	<u>NOTES</u>	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000
Turnover	2	1,734,763	2,026,215
Other income	3	336,721	584,627
Toll operation expenses		(113,376)	(134,876)
Depreciation and amortisation charges		(320,226)	(381,324)
General and administrative expenses		(91,459)	(105,895)
Finance costs	4	(286,208)	(459,724)
Profit before tax	5	1,260,215	1,529,023
Income tax expenses	6	(111,297)	(155,019)
Profit for the year		<u>1,148,918</u>	<u>1,374,004</u>
Attributable to:			
Equity holders of the Company		1,128,490	1,348,531
Minority interests		20,428	25,473
Profit for the year		<u>1,148,918</u>	<u>1,374,004</u>
Dividends paid	7	<u>706,017</u>	<u>950,022</u>
Earnings per share		HK cents	HK cents
Basic	8	<u>38.85</u>	<u>45.45</u>
Diluted		<u>38.63</u>	<u>45.43</u>



## CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property and equipment	9,380,957	10,203,577
Additional investment cost in jointly controlled entities	1,763,351	1,705,738
Investment in toll expressway project under development	47,157	49,631
Prepaid lease payments	123,901	125,714
Balances with jointly controlled entities	1,166,667	806,231
	<u>12,482,033</u>	<u>12,890,891</u>
<b>Current Assets</b>		
Inventories	2,251	2,845
Other receivables, deposits and prepayments	96,421	90,882
Other receivable from an outside joint venture partner	82,455	87,036
Prepaid lease payments	4,591	4,846
Pledged bank balances and deposits of jointly controlled entities	357,620	392,854
Bank balances and cash		
- The Group	3,013,899	3,904,064
- Jointly controlled entities	36,970	51,121
	<u>3,594,207</u>	<u>4,533,648</u>
<b>Total Assets</b>	<u>16,076,240</u>	<u>17,424,539</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	294,962	297,033
Reserves	10,005,217	10,598,062
Equity attributable to equity holders of the Company	10,300,179	10,895,095
Minority interests	35,656	44,383
<b>Total Equity</b>	<u>10,335,835</u>	<u>10,939,478</u>
<b>Non-current Liabilities</b>		
Bank and other loans	4,376,578	4,995,287
Balances with outside joint venture partners	640,917	602,564
Deferred tax liabilities	193,449	255,308
	<u>5,210,944</u>	<u>5,853,159</u>
<b>Current Liabilities</b>		
Other payables, accruals and deposits received	135,905	257,449
Bank and other loans	264,987	219,776
Other payable to a jointly controlled entity	99,618	118,213
Other interest payable	7,984	7,530
Tax liabilities	20,967	28,934
	<u>529,461</u>	<u>631,902</u>
<b>Total Liabilities</b>	<u>5,740,405</u>	<u>6,485,061</u>
<b>Total Equity and Liabilities</b>	<u>16,076,240</u>	<u>17,424,539</u>

Notes:

## 1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new IFRSs") issued by International Accounting Standards Board ("IASB") that are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006, 1st March, 2006, 1st May, 2006 or 1st June, 2006. The adoption of the new IFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

### Financial guarantee

In the current year, the Group has applied IAS 39 and IFRS 4 (Amendments) "Financial Guarantee Contracts" which is effective for accounting periods beginning on or after 1st January, 2006. A financial guarantee contract is defined by IAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1st July, 2006, financial guarantee contracts were not accounted for in accordance with IFRS 4 "Insurance Contract" and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

The Company has entered into an agreement to provide a financial guarantee granted in favour of a bank in the People's Republic of China (the "PRC") for a loan granted to 廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), a jointly controlled entity of the Group. The Group had recognised such loan in the consolidated balance sheet. Besides, the financial guarantee has been released during the year. Accordingly, the directors determine that there is no material impact on the results and the financial statements of the Group upon application of IAS 39 and IFRS 4 (Amendments).

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

IAS 1 (Amendment)	Capital disclosures <sup>1</sup>
IAS 23 (Revised)	Borrowing costs <sup>2</sup>
IFRS 7	Financial instruments: disclosures <sup>1</sup>
IFRS 8	Operating segments <sup>2</sup>
IFRIC 10	Interim financial reporting and impairment <sup>3</sup>
IFRIC 11	IFRS 2 - Group and treasury share transactions <sup>4</sup>
IFRIC 12	Service concession arrangements <sup>5</sup>
IFRIC 13	Customer loyalty programmes <sup>6</sup>
IFRIC 14	IAS 19 - The limit on defined benefit asset, minimum funding requirements and their interaction <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

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

<sup>3</sup> Effective for annual periods beginning on or after 1st November, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2008.

<sup>6</sup> Effective for annual periods beginning on or after 1st July, 2008.

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

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

## **2. TURNOVER AND SEGMENT INFORMATION**

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

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

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

### 3. OTHER INCOME

	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000
Interest income from:		
A jointly controlled entity	31,060	35,046
Bank deposits	108,187	177,394
Held-to-maturity debt securities, net of premium amortised of nil (2006: HK\$3,914,000)	3,822	-
Imputed interest income on interest-free loan made to a jointly controlled entity	23,244	22,211
Acceleration of imputed interest on early repayment of interest-free loan made by the Group to a jointly controlled entity	-	65,740
Net exchange gain	146,272	236,339
Rental income	7,897	6,024
Recovery of impairment loss on receivable	-	10,983
Management fee income from jointly controlled entities	3,962	2,916
Gain on waiver of loan from joint venture partner	-	7,638
Others	12,277	20,336
	<u>336,721</u>	<u>584,627</u>

### 4. FINANCE COSTS

	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000
Interest on:		
Bank loans	246,161	282,056
Loans made by outside joint venture partners	295	25,880
Other loan wholly repayable within five years	5,078	131
Imputed interest on:		
Interest-free loans made by outside joint venture partners	25,463	25,693
Other interest-free loan	269	298
Acceleration of imputed interest on early repayment of interest-free loans made by outside joint venture partners to jointly controlled entity	-	138,945
	<u>277,266</u>	<u>473,003</u>
Other financial expenses (note a)	8,942	12,402
	<u>286,208</u>	<u>458,405</u>
Less: Amounts capitalised (note b)	-	(25,681)
	<u>286,208</u>	<u>459,724</u>

Note:

- (a) Other financial expenses represents the fees and related charges in connection with the revolving credit and term loan facilities in the aggregate amount of HK\$3,600,000,000 offered to the Group by a syndicate of banks which is available for a period of 5 years commencing from 13th October, 2005. At 30th June, 2006 and 2007, the Group had not utilised any part of such facilities.
- (b) Borrowing cost capitalised during the year arose on a loan made by an outside joint venture partner by applying a capitalisation rate of 4.76% per annum to expenditure on qualifying assets.

## 5. PROFIT BEFORE TAX

	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000
Profit before tax has been arrived at after charging:		
Auditors' remuneration	1,417	2,050
Staff costs (excluding directors)	73,171	96,529
Amortisation of:		
Additional investment cost in jointly controlled entities	51,772	57,613
Prepaid lease payments	4,620	4,942
Depreciation of:		
Toll expressways	252,829	300,884
Other property and equipment	11,005	17,885
Loss on disposal of property and equipment	11,059	381
	<u>          </u>	<u>          </u>

## 6. INCOME TAX EXPENSES

	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000
The tax charge comprises:		
PRC income tax	84,738	104,266
Deferred taxation	26,559	50,753
	<u>111,297</u>	<u>155,019</u>

The PRC income tax charge represents the Group's proportionate share of the provision for PRC foreign enterprise income tax of 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"), a jointly controlled entity of the Group, amounting to approximately HK\$103,698,000 (2006: HK\$84,530,000) which is calculated at 7.5% (2006: 7.5%) of the estimated assessable profit for the year after the 5-year exemption from PRC foreign enterprise income tax expired on 31st December, 2004 and the provision of PRC withholding tax on the income received and receivable from the Group's jointly controlled entities amounting to approximately HK\$568,000 (2006: HK\$208,000) which is calculated at the rates prevailing in the PRC.

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

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16th March, 2007, the new income tax rates for PRC enterprises are unified at 25% and will be effective from 1st January, 2008. It is stated that further detailed measures and regulations on tax benefits will be issued by the State Council.

The management of the Company is of the view that the Group's PRC jointly controlled entities, namely GS Superhighway JV, Ring Road JV and Guangdong Guangzhou-Zhuhai West Superhighway Company Limited will qualify under the requirements for infrastructure projects supported by the State as stipulated in the new income tax law. In such circumstance, they will enjoy the tax benefits subject to the detailed measures and regulations to be announced by the State Council.

For the Group's PRC jointly controlled entities which currently applied for preferential income tax rate at 15%, deferred tax is recognised based on the current tax rate. As and when the State Council announces the detailed measures and regulations, the Group will assess their impact, if any, and the change in accounting estimate will be accounted for prospectively.

## 7. DIVIDENDS

	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000
Dividends paid and recognised as a distribution		
Interim dividend paid of HK15.00 cents (2006: HK11.50 cents) per share	337,707	445,458
Final dividend paid for year ended 30th June, 2006 paid of HK17.00 cents (2006: year ended 30th June, 2005 paid of HK12.75 cents) per share	<u>368,310</u>	<u>504,564</u>
	<u>706,017</u>	<u>950,022</u>
Final dividend proposed of HK20.00 cents (2006: HK17.00 cents) per share	<u>504,547</u>	<u>594,065</u>

A final dividend in respect of the financial year 2007 of HK20 cents per share amounting to a total of approximately HK\$594,065,000 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 a liability in these financial statements. The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these financial statements.

## 8. EARNINGS PER SHARE

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

	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>1,128,490</u>	<u>1,348,531</u>
	<u>2006</u> Number of shares	<u>2007</u> Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,905,096,514	2,967,084,973
Effect of dilutive potential ordinary shares:		
Warrants	15,766,115	442,152
Share options	281,586	722,393
Unvested share awarded	-	151,860
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,921,144,215</u>	<u>2,968,401,378</u>

## **9. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS**

The Group's total assets less current liabilities at 30th June, 2007 amounted to approximately HK\$16,792,637,000 (2006: HK\$15,546,779,000). The Group's net current assets at 30th June, 2007 amounted to approximately HK\$3,901,746,000 (2006: HK\$3,064,746,000).

*As at the date of this announcement, the board of directors of the Company comprises eight executive directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Managing Director), Mr. Alan Chi Hung CHAN (Deputy Managing Director), Ir. Leo Kwok Kee LEUNG, Mr. Lijia HUANG, Mr. Cheng Hui JIA and Mr. Barry Chung Tat MOK, and five independent non-executive directors namely, Mr. Philip Tsung Cheng FEI, Mr. Lee Yick NAM, Mr. Kojiro NAKAHARA, Dr. Gordon YEN and Mr. Yuk Keung IP.*

*\* for identification only*