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 2011

FINANCIAL HIGHLIGHTS
(in million HK dollars, unless otherwise stated)

For the year ended 30 June	2010	**2011**	% Change
Net toll revenue	1,940	**2,275**	+17%
Profit attributable to owners of the Company	956	**1,018**	+6%
EPS (HK cents)	32.28	**34.39**	+7%
Interim DPS (HK cents)	17.0	**16.0**	-6%
Final DPS (HK cents)	15.0	**18.0**	+20%
Total DPS (HK cents)	32.0	**34.0**	+6%
Net Assets per share (HK$) **(**as of 30 June)	2.8	**3.0**	+7%

CHAIRMAN’S STATEMENT

I am pleased to report the results of Hopewell Highway Infrastructure Limited and its subsidiaries for the financial year ended 30 June 2011. The Group’s net toll revenue rose by 17% to HK$2,275 million compared to the previous year, while the net profit from toll road projects decreased by 5%, from HK$1,017 million to HK$967 million. This was mainly attributable to a significant rise in the amount of tax payable as the result of a step-up in the Enterprise Income Tax rate applicable to GS Superhighway, plus a loss incurred by Phase II West during its first full-year of operation. Profit attributable to owners of the Company increased by 6%, from HK$956 million to HK$1,018 million, owing partly to a net exchange gain resulting from the appreciation of the Renminbi and an increase in interest income. Basic earnings per share for the year increased by about 7% from the previous year’s HK32.28 cents to HK34.39 cents.

* *For identification purpose only*

Final Dividend

The Board has proposed a final dividend of HK18 cents per share for the year ended 30 June 2011. Together with an interim dividend of HK16 cents per share that has already been paid, the total dividends for the year will amount to HK34 cents per share. This represents an 6% increase on the last financial year's total dividends of HK32 cents per share and a payout ratio of 99% of the Company's profit attributable to owners of the Company.

Subject to shareholders' approval at the Annual General Meeting on 20 October 2011, the proposed final dividend will be paid on 2 November 2011 to shareholders who are registered at the close of business on 26 October 2011. The Group will adhere to an approximately 100% dividend payout policy, taking into account its steady earnings and cash flow, as well as the cash surplus on hand.

Closure of Register

To ascertain shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Wednesday, 26 October 2011 if and only if the proposed final dividend is approved by the shareholders at the Annual General Meeting. No transfer of shares of the Company will be effected on the aforementioned book-close date. To qualify for the proposed final dividend, all transfers of share ownership, 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, 25 October 2011.

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on 20 October 2011, the Register of Members of the Company will be closed from Thursday, 13 October 2011 to Thursday, 20 October 2011, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the Annual General Meeting, all transfers of share ownership, 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 Wednesday, 12 October 2011.

Financial Status

The Group maintained a strong financial position throughout the year. Its proportionate share of the net toll revenue for the year ended 30 June 2011 increased by 17% year-on-year, from HK$1,940 million to HK$2,275 million.

Financial Year	2010	**2011**	% Change
GS Superhighway (at JV company level)			
Average Daily Traffic (No. of vehicles ’000)	352	**392**	11%
Average Daily Toll Revenue (RMB ’000)	9,576	**10,114**	6%
Phase I West (at JV company level)			
Average Daily Traffic (No. of vehicles ’000)	31	**37**	18%
Average Daily Toll Revenue (RMB ’000)	436	**463**	6%
Phase II West (at JV company level)			
Average Daily Traffic (No. of vehicles ’000)	20*	**44**	122%
Average Daily Toll Revenue (RMB ’000)	333*	**756**	127%

** Phase II West opened on 25 June 2010.*

In accordance with the Group’s financing strategy and against the backdrop of credit-tightening in the PRC, a total of RMB1.98 billion was raised by issuing RMB bonds twice during the year; the first tranche of RMB1.38 billion in July 2010 and the second tranche of RMB600 million in May 2011. The proceeds from these will be applied mainly to finance the development of Phase III West in the form of equity investment and shareholder’s loans. Up to 30 June 2011, the Group had injected a total of RMB496 million into the West Route JV as registered capital for the development of Phase III West. It had also advanced shareholder’s loans in the total amount of RMB500 million to the West Route JV for the same purpose. These shareholder’s loans helped to broaden the JV’s financing sources. It is planned that further shareholder’s loans amounting to RMB600 million will be advanced to the West Route JV for the same purpose, subject to approval by the relevant authorities.

The Group’s cash and bank balances, which were nearly all in RMB, amounted to HK$3,439 million as at 30 June 2011, including the yet-to-be-utilised proceeds from RMB bond issues. Net cash on hand at HHI corporate level (excluding JV companies) was HK$1,030 million. The Group will continue to keep most of its cash in RMB in the future, in line with its policy to adopt RMB as its functional currency. Interest income for the year increased significantly, owing to the leap in the average cash balance and an increase in bank deposit interest rates. The Group will continue to reinforce its treasury management and evaluate the available options with the aim of improving the yields on its ample cash deposit portfolio in the future.

The Group’s project debts are well covered by project cash flows. Expressed in terms of project interest coverage – the ratio of the Group’s proportionately shared project EBITDA for FY11 to the corresponding project’s interest expenses – it is approximately 10.9 times.

The Group's cash inflow for the year was mainly derived from dividends declared by the GS Superhighway JV and proceeds from RMB bond issues. Following approval by the relevant PRC authorities, the Group has been able to remit its share of the profits from the GS Superhighway JV and West Route JV to Hong Kong directly in RMB since April 2010, without having to convert them into HK or US Dollars first.

Business Review

During the year under review, the global economy remained fragile with the pace of economic recovery being uneven in different regions, and stagnant in some. Despite various "quantitative easing" measures, the United States economy has not yet started to rebound. The contagious sovereign debt crisis among member countries of the European Union has put intense pressure on the interest rate spreads of sovereign debt. Although substantial steps have been taken to address this crisis, the successful implementation of long-term plans to reform tax and fiscal policies in the region still has a long way to go. In Asia, efforts to curb inflation - which is being driven by the strength of emerging economies and abundant global liquidity - have hampered growth to a certain extent.

The PRC's economic and financial strength, its increasing share of global GDP and its rising credit quality and currency have combined to create a strong case for long-term investment in its assets. Increasing investment in fixed assets and burgeoning domestic consumption continue to drive China's property and financial markets. Despite various measures to curb soaring inflation and tighten credit, the GDP of Guangdong Province in the first half of 2011 increased by 10.2% while the import and export trades maintained a strong growth of 26.0%, boosting the PRD region's transportation industry and benefiting the Group's toll road business.

Reflecting the growth in car ownership, the number of Class 1 small cars using our toll roads in the PRD and the toll revenue derived from them continued to increase. On the other hand, the number of Class 4 and 5 commercial trucks and the toll revenue from those vehicles continued to recover as the PRD region's import and export traffic rebounded.

As a consequence of the aforementioned growth in traffic of the GS Superhighway and the opening of Phase II West in June 2010, the aggregate average daily traffic rose by 23% to 473,000 vehicles year-on-year. Meanwhile, the aggregate average daily toll revenue climbed by 13% to RMB11.3 million and the average daily toll revenue of the GS Superhighway exceeded RMB10 million on a yearly basis. The average daily toll revenue of Phase II West jumped by over 70% from July 2010 (its first full-month of operation) to June 2011. The combined revenue for the year from Phase I West and Phase II West accounted for about 11% of the total revenue from the Group's toll roads.

Construction work on Phase III West is making good progress, and it is now planned for completion during the first half of 2013, earlier than originally scheduled. The total investment in this project is currently planned to be approximately RMB5.6 billion. HHI's 50% share of the registered capital of this investment and a certain amount of shareholder's loans therefor have been and will continue to be funded by proceeds raised through its RMB bond issues.

Prospects

Traffic on Phase II West has grown steadily since it opened in June 2010. Its average daily traffic volume rose by 89%, up from 29,000 vehicles in July 2010 to 55,000 vehicles in July 2011. Meanwhile, its average daily toll revenue surged by 85%, from RMB500,000 in July 2010 to RMB925,000 in July 2011. The synergy between Phase I West and Phase II West and the development of the highway network is expected to continue to generate growth in the traffic volume and toll revenue of both.

In respect of the maintenance works being done at the Yajisha Bridge of the Guangzhou East-South-West Ring Road since January 2010, intensified measures have been put in place since mid-July 2011 to prohibit heavy trucks weighing over 15 tons (mainly Class 4 and Class 5 commercial trucks) from entering and exiting the east-south section of the Guangzhou East-South-West Ring Road via the Nanya interchange of Phase I West. As the maintenance works are expected to be completed by January 2012, the impact from such arrangement on Phase I west is short-term. Its impact on the Group's total traffic and toll revenue should be immaterial.

Following the completion of widening work on the 3.5-kilometre section between the Wudianmei and Taiping interchanges of the GS Superhighway in June 2011, the JV company will further expand the approximately 2-kilometre busy section between the Hezhou and Fuyong interchanges to 10 lanes in dual directions in the coming months. The Group believes the GS Superhighway will maintain its leading position as Guangdong Province's main artery, despite anticipated competition from the Coastal Expressway from 2012 onwards.

The broader financing sources now available for Phase III West have secured the project's progress. Its completion in first half of 2013 earlier than scheduled and the target completion of the Hong Kong-Zhuhai-Macau Bridge in 2016 will further enhance the PRD region's highway network. The opening of all three phases of the Western Delta Route will serve as a platform for the long-term growth of the Group's toll road business.

Appreciation

I would like to take this opportunity to thank the Group's Managing Director, my fellow Directors, the management team and all staff members for their hard work, dedication and commitment during 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 contributed greatly towards the Group's success during the past year.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Chairman

Hong Kong, 25 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Performance

Guangdong Province's economy remained robust during the year under review. Its import and export trades grew strongly and the total trade amount has reached historical high levels. Between January and June 2011, its GDP increased by 10.2%, while its import and export trades grew by 26%. These factors have boosted the demand for passenger and freight transportation in the region, thus benefiting the Group's projects there.

The car ownership in Guangdong Province maintained its growth momentum, driven mainly by sales of small cars. According to the latest statistics, the province's car ownership figure exceeded 7.8 million by the end of 2010, a year-on-year increase of 19%. Although the national car sales volume slowed during the first half of 2011, the number of newly registered passenger vehicles in Guangdong, according to the media, rose by about 440,000 vehicles or 7.3% during the first half of 2011, compared to a 3.4% growth to approximately 9.3 million vehicles in national car sales. In terms of car ownership, Guangdong Province's top three cities were Guangzhou, Shenzhen and Dongguan. By mid-2011, the number of cars owned in each of Guangzhou and Shenzhen has exceeded 1.7 million vehicles, while the figure for Dongguan has risen to 1 million vehicles. Passenger vehicles accounted for most of this increase. As far as the Group's expressways were concerned, Class 1 small cars made the most significant contribution to the overall rise in their traffic volume. The continuous growth in Guangdong's economy and car ownership will continue to invigorate the Group's operating performance.

During the year under review, the aggregate average daily traffic volume on the GS Superhighway and Phase I West increased by 12% to 429,000 vehicles year-on-year, while their aggregate average daily toll revenue increased by 6% to RMB10.58 million. Taking into account the opening of Phase II West in June 2010, the aggregate average daily traffic volume increased by 23% to 473,000 vehicles, whereas their aggregate average daily toll revenue increased by 13% to RMB11.33 million. The combined toll revenue from GS Superhighway, Phase I West and Phase II West amounted to RMB4,136 million during FY11.

Expansion and Improvement Works

The Group aims to develop efficient and safe expressway networks that deliver high-quality services. It has proactively monitored the traffic flow on its expressways and expanded busier sections after obtaining approvals from relevant authorities. During the past financial year, a number of expansion and improvement projects had been completed, which helped raise the operational efficiency and the standard of service quality.

To relieve the traffic pressure on the busier 3.5-kilometre road section between the Wudianmei and Taiping interchanges, the GS Superhighway JV undertook a project to widen it from 6 lanes to 10 lanes in dual directions. This began in July 2010 and was completed in June 2011. The flow of traffic along this section during peak hours has become much smoother since it was widened. Moreover the number of accidents along the section has dropped significantly, and the travelling speed has significantly increased. In addition, the new Xinlian interchange (southbound) to the north of Taiping interchange, which connects with Hugang Expressway was fully opened in April 2011. It has helped to ease the traffic pressure at the road section between Taiping interchange and Wudianmei interchange.

The approximately 2-kilometre section between the Hezhou and Fuyong interchanges had been widened from 6 to 8 lanes in dual directions in 2003. The GS Superhighway JV will begin widening this section from 8 to 10 lanes in dual directions in the coming months. This will help to maintain the smooth flow of traffic along the GS Superhighway to meet the increasing freight and passenger traffic arising from the Shenzhen Baoan International Airport, which is adjacent to the Fuyong interchange.

Meanwhile, GS Superhighway JV completed the expansion of the toll plazas at Huocun and Fuyong interchanges, whereas the expansion of the Nantou toll plaza is in progress. The GS Superhighway JV has also opened numerous additional electronic toll collection (ETC) lanes and automatic card-issuing lanes at various interchanges in order to cope with increased traffic and raise operational efficiency.

Project Development

Phase II West went into operation in June 2010. Together with Phase I West, it forms a major expressway directly linking Guangzhou and downtown Zhongshan, and it has substantially reduced the travelling time between these two cities from more than one hour via local roads to approximately 30 minutes. In the past year, it has proved convenient for people travelling in the area around Guangzhou, Foshan, Shunde and Zhongshan. Thus, it has helped to foster the region's economic development. Since it opened in June 2010, the traffic volume on Phase II West has been increasing continuously. Most road users have got used to the new road after several months of its opening, and toll revenue of Phase II West during the second half of FY11 reached the Group's target of achieving cash-flow breakeven in the first year of operation, i.e. RMB800,000 in average daily toll revenue. That means the total toll revenue in the second half of FY11 was sufficient to cover the project's expenses, including finance costs, and a net cash inflow was recorded during the same period. The Group believes the traffic volume and toll revenue of Phase II West will grow more strongly, in tandem with the region's economic growth and the development of a more comprehensive peripheral road network.

Construction of Phase III West has been advancing smoothly. Land requisition works were substantially completed during the year under review. Depending on the progress of construction, it is planned that Phase III West will be completed by the first half of 2013, earlier than the original schedule. Its opening will considerably reduce the travelling time between Guangzhou and Zhuhai, from approximately two hours at present to about one hour. The Group will endeavour to expedite the completion of Phase III West, the last phase of the Western Delta Route, in order to develop a more comprehensive expressway network in the region.

Corporate Social Responsibility

Over the years, the Group has deployed ample resources to upgrade and enhance the safety and service facilities of its expressways, making it a top priority to ensure the safety and comfort of road users. More than 150 traffic surveillance cameras have been installed on GS Superhighway to monitor traffic round the clock and in all weather conditions. The GS Superhighway JV also constantly upgrades and increases its fleet of patrol and rescue vehicles as well as its traffic management equipment in order to cope with its growing traffic volume and enhance its efficiency in detecting and dealing with accidents. Besides providing rescue and towing services on the Guangzhou and Dongguan sections, the GS Superhighway JV took up the same role on the Shenzhen section in early 2011, thus ensuring the entire expressway is covered by high-quality and efficient rescue and towing services. To ensure the smooth flow of traffic and road safety, the GS Superhighway JV collaborates closely with the traffic police in order to implement the "4-Fast" principles of traffic-accident handling – "Fast Detection, Fast Arrival, Fast Handling and Fast Clearance", and it plans to organise traffic safety promotional campaigns with the traffic police. In addition, the GS Superhighway JV strives to raise the public's awareness by screening road safety messages on changeable message signboards along the expressway.

In response to the emphasis China is placing on energy saving and emission reductions in its national development strategies, the GS Superhighway JV and West Route JV actively promote low-carbon operating concepts, and they are adopting various measures to reduce energy consumption in their daily operations. The GS Superhighway JV replaced the lighting systems of its tunnel and toll plazas with an energy saving one in 2009 and 2010 respectively. The lighting systems along the main route will be gradually replaced in the near future. On the other hand, West Route JV will install LED lighting systems in the tunnels of Phase III West. Meanwhile, the JV companies are actively exploring the possibility of installing charging facilities for electric vehicles along their expressways, in order to support the national policy of promoting the use of environmentally friendly electric vehicles.

To improve the expressway's peripheral environment, the West Route JV will landscape its interchanges in Shunde in partnership with the local governments.

Operating Environment

In the face of a constantly changing operating environment, the Group is maintaining the competitive advantages of its expressways by implementing effective cost controls, increasing their operational efficiency and enhancing service standards. The measures currently put in place include increasing staff productivity, enhancing energy savings and controlling the rise in administrative expenses.

According to the media, the Guangdong Provincial Government and Hong Kong Government have been conducting studies about the feasibility of gradually increasing the number of cross-border vehicle quotas. At the 14th Plenary of the Hong Kong/Guangdong Cooperation Joint Conference held on 23 August 2011, both governments decided to launch the first phase of the trial scheme to introduce ad hoc quotas for cross-boundary private cars in March 2012. Owners of Hong Kong private vehicles with 5 seats or less may apply for ad hoc quotas under the scheme to drive their private cars into Guangdong Province. The relevant arrangements and implementation details will be announced before the end of 2011. The Group expects the policy will facilitate cross-border traffic, and that it will benefit GS Superhighway. In addition, the new emigration complex and facilities at Huanggang border were expanded and went into operation in July 2011. This will help to speed up cross-border procedures, thus providing convenient and smooth services to emigrating travellers and vehicles.

To promote the healthy development of the toll road industry, the Ministry of Transport, National Development and Reform Commission (NDRC), Ministry of Finance, Ministry of Supervision and State Council Office for the Correcting Malpractice decided in June 2011 to launch a joint one-year national campaign against toll roads that fail to observe relevant regulations or which charge unreasonable tolls. Any details regarding the campaign's implementation in Guangdong Province would be further announced by the Guangdong Provincial Government.

Latest media reports indicate the 59-kilometre Guangzhou and Dongguan sections of the Coastal Expressway are scheduled for completion in the second half of 2011, while the 30-kilometre Shenzhen section will be completed by 2012. Nevertheless, till August 2011, its Guangzhou and Dongguan sections had not yet opened. The Coastal Expressway is designed to connect ports along the eastern shore of the PRD, and it will mainly serve trucks destined for them. The Group will continue to monitor the Coastal Expressway's progress closely. The Group believes GS Superhighway will maintain its leading position as Guangdong Province's main artery, in line with the continuous growth of car ownership in the province.

Group Financing

In line with the steady development of Hong Kong's offshore RMB bond market, the Company issued corporate bonds with a total value of RMB1.38 billion to institutional investors in July 2010, thus becoming the first non-financial institution to issue RMB corporate bonds successfully in Hong Kong. The Company then issued another tranche of RMB corporate bonds with a total value of RMB600 million in May 2011. These issues have further broadened the financing sources of the Company and its JV companies, strengthened its financial position, and helped it to maintain a healthy balance sheet that will enable it to explore new projects.

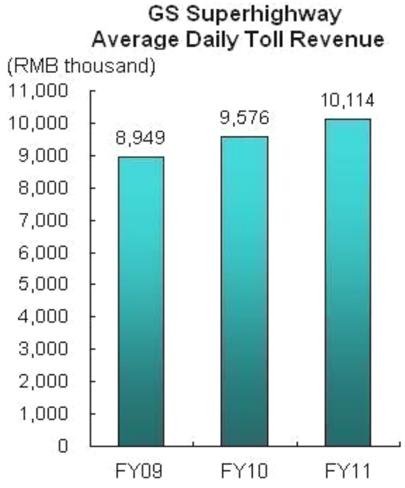
The Group has obtained approval from the relevant PRC authorities to use RMB for its injection of registered capital into and provision of RMB500 million shareholder's loans to the West Route JV for Phase III West. The total amount of registered capital required is RMB980 million, being a 50% share in the total registered capital. As at 30 June 2011, the Group had used part of the proceeds of the RMB corporate bonds for injecting a total of RMB496 million of registered capital and a total of RMB500 million of shareholder's loans into the West Route JV for the development of Phase III West. In view of the credit-tightening policies now in force in the PRC, the Group also plans to provide additional shareholder's loans totalling RMB600 million to the West Route JV for the further development of Phase III West. The shareholder's loans will broaden the JV company's financing sources.

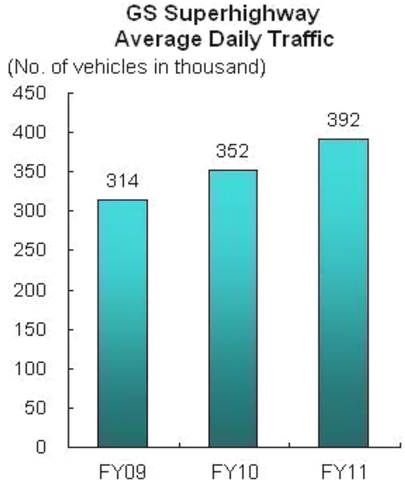
Guangzhou-Shenzhen Superhighway

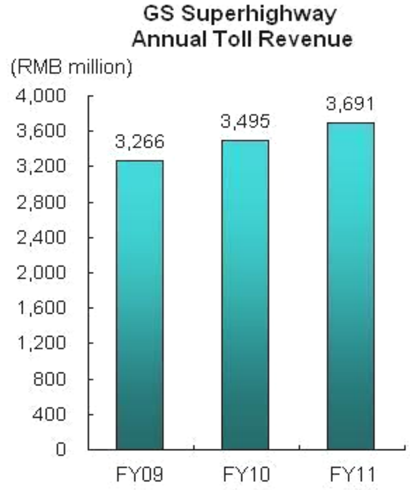
Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lanes	A total of 6 lanes in dual directions, except for certain sections being eight to ten lanes
Class	Expressway
Toll Collection Period	July 1997 – June 2027
Profit Sharing Ratio	Year 1 – 10: 50% Year 11 – 20: 48% Year 21 – 30: 45%

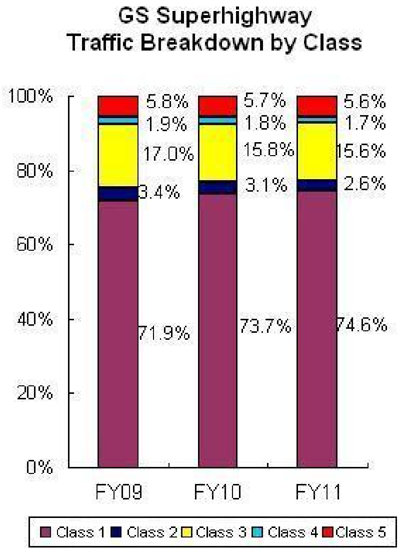
GS Superhighway is the main expressway that connects the PRD region's three major cities – Guangzhou, Dongguan, Shenzhen and Hong Kong. During the year under review, its average daily toll revenue rose by 6% year-on-year to RMB10.11 million, while the total toll revenue amounted to RMB3,691 million. Meanwhile, its average daily traffic volume increased by 11% to 392,000 vehicles.

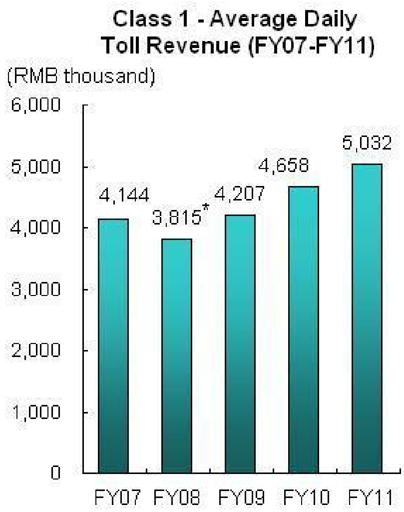
Benefiting from the growth in car ownership in the PRC, the traffic volume and toll revenue GS Superhighway derived from Class 1 small cars both increased steadily during the period under review. They accounted for 74.6% of its total traffic volume and 49.8% of its total toll revenue. Due to the higher proportion of Class 1 small cars, the average toll revenue per vehicle per kilometre dropped 2% from RMB0.93 to RMB0.91. Meanwhile, the traffic volume and toll revenue it derived from Class 4 and Class 5 commercial trucks continued to rebound from the trough in FY09 to overtake the FY08 level, approaching the historical high level in FY07.

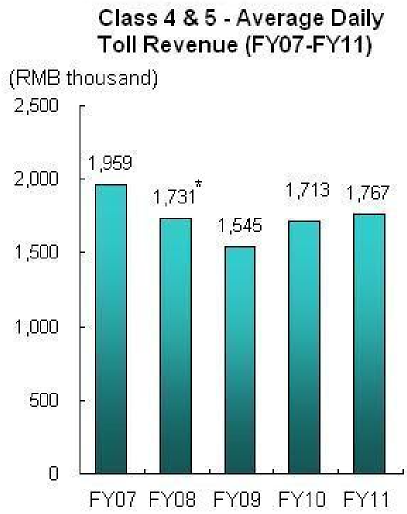












** A section of GS Superhighway was closed for maintenance in phases between October 2007 and July 2008*

Shenzhen and Dongguan city closed all the toll stations on National Highway 107 in April 2011. The Jiangnan and Songgang toll stations on National Highway 107, which are adjacent to GS Superhighway were removed, making the entire National Highway 107 toll-free. As a result, some vehicles (mainly Class 4 and Class 5 commercial trucks) that previously used GS Superhighway have now reverted to use National Highway 107.

On the other hand, the second runway of Shenzhen Baoan International Airport became operational on 26 July 2011. This has greatly increased the airport's flight-handling capacity, and traffic on GS Superhighway is set to surge as its passenger and freight turnovers grow in the future.

Expansion of the 3.5-kilometre busier section between Wudianmei and Taiping interchanges from 6 lanes to 10 lanes in dual directions was completed in June 2011. Its expansion has effectively relieved the traffic pressure on that section during peak hours. In addition, the number of traffic accidents has declined and the travelling speed along the section has greatly increased.

Following the widening of the road section between Wudianmei and Taiping interchanges, the GS Superhighway JV will begin widening the approximately 2-kilometre section between the Hezhou and Fuyong interchanges from 8 to 10 lanes in dual directions in the coming months. This will help to maintain the smooth flow of traffic along the GS Superhighway to meet the increasing freight and passenger traffic arising from the Shenzhen Baoan International Airport, which is adjacent to the Fuyong interchange. Meanwhile, a study about the feasibility of widening the entire GS Superhighway to a total of 10 lanes in dual directions is being fine-tuned. When it is finalised, the GS Superhighway JV will submit an application for the project's approval by the relevant authorities.

The GS Superhighway JV has expanded the toll plazas at Fuyong and Huocun in order to provide quality services for road users by enhancing the traffic capacity and standards of toll-lane management at those plazas. Meanwhile, the expansion of the Nantou toll plaza is in progress.

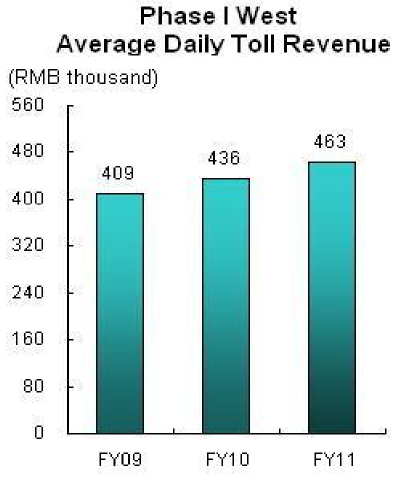
To support the construction of the Hugang Expressway extension link, two refilling stations along the Taiping section of the GS Superhighway were demolished in 2010. A new high-standard service area with refilling stations, catering facilities and rest areas was built on the Houjie section (southbound) and it was opened in March 2011. The GS Superhighway JV will endeavour to expedite the construction and opening of another new service area on the Huojie section (northbound) to cater for highway users' needs.

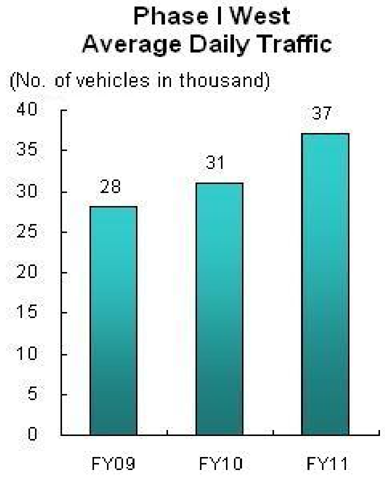
In response to rising operating costs in the region, the GS Superhighway JV is continuously taking effective measures to contain cost increases and enhance productivity. It currently has 39 sets of ETC lanes and 14 sets of automatic card-issuing lanes. The average time vehicles spent waiting to be processed at expressway's exits and entrances has been significantly reduced. The ETC and automatic card-issuing lanes have also enhanced operational efficiency and service quality, and they help to keep the number of toll-collection staff at a reasonable level. The JV plans to install more ETC lanes and automatic card-issuing lanes to keep pace with growing traffic figures and to comply with the Guangdong Provincial Government's policy of encouraging the extensive use of Guangdong Unitoll Cards on expressways.

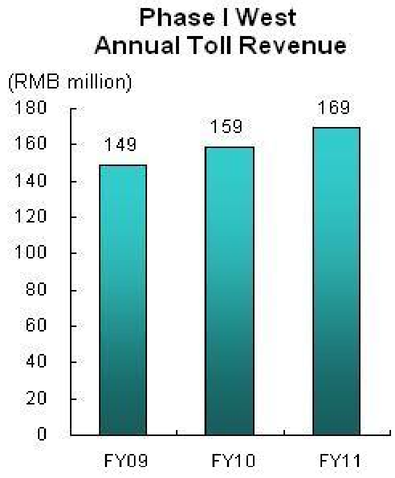
Phase I of the Western Delta Route

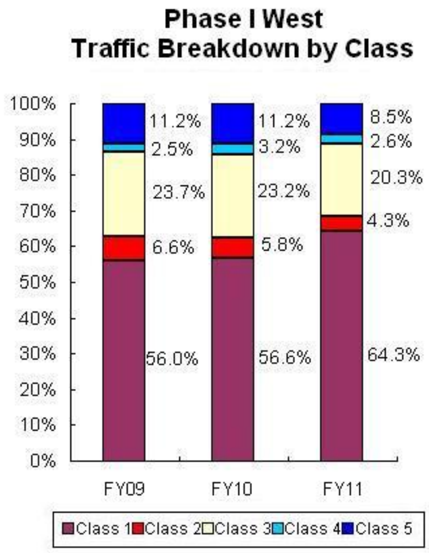
Location	Guangzhou to Shunde, Guangdong, PRC
Length	14.7 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	September 2003 – September 2033
Profit Sharing Ratio	50%

Phase I West is 14.7 kilometres long with a total of 6 lanes in dual directions. It connects with the Guangzhou East–South–West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. During the year under review, Phase I West's average daily traffic volume increased by 18% year-on-year to 37,000 vehicles, while its average daily toll revenue rose by 6% to RMB463,000. Its total toll revenue for the entire financial year amounted to RMB169 million.









Since the opening of Phase II West in June 2010, Phase I West and Phase II West have formed the main expressway between Guangzhou and downtown Zhongshan, thus reducing the travelling time between the two cities from an hour via local roads to approximately 30 minutes. The synergy between Phase I West and Phase II West has led to exceptionally rapid growth in both the traffic volume and toll revenue of Class 1 small cars. These accounted for 64.3% of its total traffic volume in FY11, compared to 56.6% the previous year. The higher percentage of Class 1 small cars on Phase I West meant its average toll revenue per vehicle per kilometre declined by 8% from RMB0.94 to RMB0.86.

Maintenance works have been in progress at Yajisha Bridge on the Guangzhou East-South-West Ring Road from January 2010 to January 2012. As a result, heavy trucks weighing over 15 tons (mainly Class 4 and Class 5 commercial trucks) are prohibited from using the Yajisha Bridge section during the period. Moreover, the Yajisha Bridge has been completely closed at night since June 2011, to prevent any vehicles from crossing the bridge. These measures have affected the traffic volume and toll revenue on Phase I West. Enforcement of the traffic restriction has intensified since mid-July 2011. As a result, the average daily toll revenue of Phase I West fell to RMB427,000 during 17-31 July 2011 compared to RMB446,000 during 1-16 July 2011.

Guangzhou South Railway Station – Asia's largest high-speed railway station, which is close to Phase I West – opened in January 2010. The opening of a peripheral connecting road network between the new station and Phase I West in October 2010 means the journey between them via Shizhou interchange takes only a few minutes. This has helped to encourage more passenger vehicles to take Phase I West.

Furthermore, the Foshan First Ring Road extension link is connected to the Bijiang interchange of Phase I West in November 2010. Together with Foshan's strong economic growth, the traffic volume and toll revenue of Phase I West and Phase II West are set to increase further.

Dongxin Expressway was opened at the end of December 2010. Although it runs parallel to Phase I West, this expressway connects regions of Guangzhou, Panyu and Nansha, while Phase I West and Phase II West connect regions of Guangzhou, Nanhai, Shunde and Zhongshan. The two expressways provide services for different regions. The impact of Dongxin Expressway on Phase I West has been insignificant since it opened in December 2010.

The expansion of Nanya and Bijiang interchanges' toll plazas to deal with the increased traffic volume on Phase I West were completed. In addition, 9 sets of ETC lanes and 2 sets of automatic card-issuing lanes were installed to enhance operational efficiency and service quality.

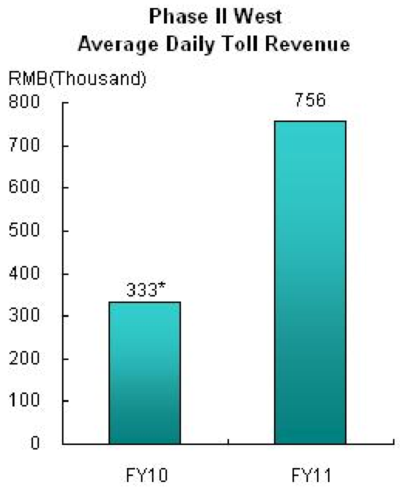
The final project cost of Phase I West is RMB1,507 million, which is less than the budgeted amount of RMB1,680 million.

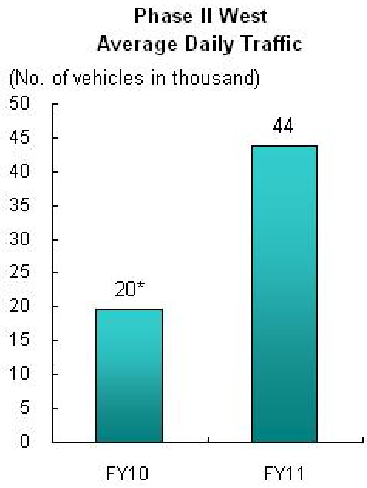
Phase II of the Western Delta Route

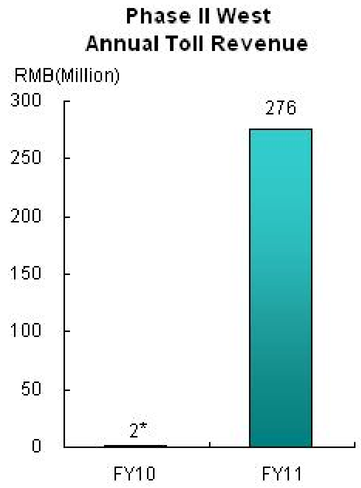
Location	Shunde to Zhongshan, Guangdong, PRC
Length	45.5 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	June 2010 – June 2035 (subject to the approval of the relevant PRC authorities)
Profit Sharing Ratio	50%

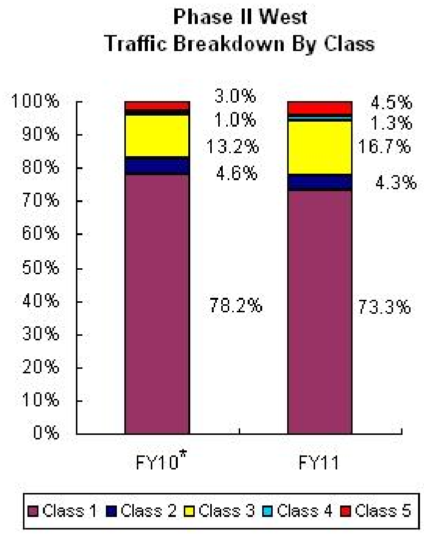
Phase II West was opened on 25 June 2010. A 45.5-kilometre closed expressway with a total of 6 lanes in dual directions, it is connected to Phase I West in Shunde to the north and Shaxi in Zhongshan to the south. It is also linked with National Highway 105, Guangzhou Southern Second Ring Road and Xiaolan Highway (currently under construction). Phase II West and Phase I West together form the major expressway linking Guangzhou and downtown Zhongshan and they have substantially reduced the travelling time between the two cities from more than one hour via local roads to approximately 30 minutes.

During the year under review, the average daily traffic volume on Phase II West was 44,000 vehicles, while the average daily toll revenue was RMB756,000. The total toll revenue for the entire financial year amounted to RMB276 million. Class 1 small cars were the main contributors which account for 73.3% of the total traffic volume.









** Phase II West was opened on 25 June 2010.*

The highway network connecting with Phase II West will be further enhanced in the near future. Guangzhou Southern Second Ring Road was opened in December 2010, providing a direct highway connection to Phase II West for vehicles between Gaoming, Shunde and Nanhai Districts of Foshan, as well as the Panyu District of Guangzhou. Its opening has had a positive impact on Phase II West's traffic growth. A connection to Xiaolan highway, which will be opened in FY12, will provide a faster link to downtown Zhongshan through the southern end of Phase II West. These developments will strengthen Phase II West's connectivity, thereby enhancing its competitive advantages.

Since its opening on 25 June 2010, the traffic volume of Phase II West has been increasing continuously. Its average daily traffic volume rose 89% from 29,000 vehicles in July 2010 to 55,000 vehicles in July 2011. The average daily toll revenue also increased by 85% from RMB500,000 in July 2010 to RMB925,000 in July 2011. Most road users have got used to the new road after several months of its opening, and its toll revenue during the second half of FY11 reached the Group's target of achieving cash-flow breakeven in the first year of operation, i.e. RMB800,000 in average daily toll revenue. That means the total toll revenue of Phase II West in the second half of FY11 was sufficient to cover the project's expenses, including finance costs, and a net cash inflow was recorded. The Group believes that Phase II West's traffic volume and toll revenue will grow even more rapidly in the future, along with the region's general economic growth and the development of a more comprehensive peripheral road network and nearby cities. The present rate of traffic growth leads the Group to target that even without the synergy from opening of Phase III West, Phase II West will achieve profit during 2014, with average daily toll revenue exceeding RMB1.3 million (equal to annual toll revenue of RMB10.5 million per kilometre). During the year under review, Phase I West's annual toll revenue amounted to RMB11.49 million per kilometre. The Group is also optimistic that Phase II West could achieve profit earlier, due to the synergy it will have with Phase III West when the latter opens in the first half of 2013.

The project cost of Phase II West is around RMB7,000 million, which is less than the budgeted amount of RMB7,200 million announced on 2 September 2008.

Phase III of the Western Delta Route

Location	Zhongshan to Zhuhai, Guangdong, PRC
Length	Approximately 38 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	Subject to the approval of the relevant PRC authorities
Profit Sharing Ratio	50%

Phase III West will be a closed expressway with a total of 6 lanes in dual directions. It will connect to Phase II West in Zhongshan to the north, and extend southwards to link with the Zhuhai highway network, thus offering direct access to Hengqin State-level Strategic New Zone in Zhuhai, Macau, as well as expressways connecting to the Hong Kong-Zhuhai-Macau Bridge. Construction work commenced in December 2009 and has been advancing smoothly. Land requisition works have virtually been completed. Subject to construction progress, Phase III West is currently scheduled for completion by the first half of 2013, earlier than originally planned. When it is opened, the journey time between Guangzhou and Zhuhai will be greatly reduced from approximately two hours at present to around one hour.

The planned total investment for Phase III West is currently RMB5,600 million. In June 2010, the Group obtained approval from the relevant PRC authorities to use RMB for its injection of registered capital into the project. The total amount of registered capital required is RMB980 million and the first tranche of capital was injected in June 2010. As at 30 June 2011, the Group had injected a total of RMB496 million of registered capital into Phase III West. Against the backdrop of credit-tightening measures in the PRC, the Group also plans to provide shareholder's loans totalling RMB1,100 million to the West Route JV for the development of Phase III West. This will further broaden the financing sources of the JV company. As at 30 June 2011, a total of RMB500 million of shareholder's loans had been provided. The balance of RMB600 million will be provided when the relevant authorities' approval has been obtained. The Group's exposure in the Western Delta Route will increase mildly from 18% to 26% of the total investment if one includes both the total amount of registered capital and the RMB1,100 million shareholder's loans planned to be injected. The Group believes that given the economic growth of Guangdong Province, the continuous improvement of peripheral road networks and the opening of Phase III West, the strong fundamentals of the Western Delta Route will remain unchanged and it will provide the Group with steady income in the long term.

On completion of Phase III West, the Western Delta Route will become the main artery of a regional expressway network along the PRD's western coast. This will link Guangzhou, Foshan, Zhongshan, Zhuhai, Hengqin and Macau. It will also be directly connected with various major expressways along this route, including the Guangzhou Ring Road, Guangzhou–Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan–Jiangmen Expressway and Western Coastal Expressway, as well as expressways linking Hengqin (currently under development) in Zhuhai and the Hong Kong-Zhuhai-Macau Bridge. Hengqin is the third State-level Strategic New Zone after Shanghai's Pudong District and Tianjin's Binhai area. The state will focus on planning and developing its business services, tourism, and other areas including research and development in science and advanced technology, thereby making it a new hub for high economic growth in the regional economy, and fostering the flourishing development of the western coast of the PRD and Macau. As a strategic expressway that comprehensively covers the most affluent cities on the western coast of the PRD and offers convenient access to Macau and Hong Kong, the Western Delta Route will benefit from the region's economic prosperity and its huge development potential.

Financial Review

The Group's performance during the year ended 30 June 2011 was as follows:

	Year ended 30 June					
	2010			**2011**		
	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 (Note 1)	1,851	1,296	984	**2,021**	**1,403**	**978**
Phase I West	88	59	35	**96**	**63**	**44**
Phase II West	1	0	(2)	**158**	**81**	**(55)**
Net toll revenue/EBIT/Net profit of projects	1,940	1,355	1,017	**2,275**	**1,547**	**967**
Year-on-year change				***+17%***	***+14%***	***-5%*** (Note 2)
Corporate results:						
Interest income			9			**83**
Other income			4			**2**
General and administrative expenses			(40)			**(48)**
Finance costs			(12)			**(53)**
Income tax expenses			(0)			**(3)**
			(39)			**(19)**
Exchange (loss) / gain, net of income tax expenses			(5)			**89**
Profit for the year			973			**1,037**
Portion attributable to non-controlling interests			(17)			**(19)**
Profit attributable to owners of the Company			956			**1,018**

Note 1: Excluding exchange-rate differences on US Dollar and HK Dollar loans, and related income tax expenses.
Note 2: If the impact from step up of EIT tax rate on GS Superhighway was excluded, year-on-year change of net profit of projects would rise 6%.

The aggregate net toll revenue from expressway projects proportionately shared by the Group during the year ended 30 June 2011 increased by 17% to HK$2,275 million, compared to the figure of HK$1,940 million for the same period in 2010. This increase was mainly driven by the growth in passenger and freight transportation, together with the increasing car ownership and economic growth in Guangdong Province. The first full-year of operation of Phase II West, which opened on 25 June 2010, also contributed to the rise in net toll revenue. GS Superhighway, Phase I West and Phase II West contributed 89% (HK$2,021 million), 4% (HK$96 million) and 7% (HK$158 million) respectively of the aggregate net toll revenue that was proportionately shared by the Group.

Despite the increased expressway operating, general and administrative expenses of the two JV companies, and higher depreciation charges in line with the growth in traffic volume, the aggregate EBIT of these projects (excluding the exchange gain on the GS Superhighway JV's US Dollar and HK Dollar loans and related income tax expenses) rose by 14% year-on-year, from HK$1,355 million to HK$1,547 million.

The aggregate net profit of the projects (excluding the exchange gain on the GS Superhighway JV's US Dollar and HK Dollar loans, and related income tax expenses) decreased by 5% from HK$1,017 million to HK$967 million year-on-year. This was mainly due to a significant rise in tax expenses as the result of a step-up in the EIT rate applicable to GS Superhighway from 10% to 22% in 2010 and from 22% to 24% in 2011, as well as a loss incurred by Phase II West during its first full-year of operation.

The profit attributable to owners of the Company increased by 6% from HK$956 million to HK$1,018 million, mainly because of (i) an increase in net toll revenue; (ii) an increase in interest income on the Group's bank deposits (excluding those of JV companies) as a result of higher interest rates and bank balances; and (iii) a net exchange gain on the GS Superhighway JV's loans denominated in US Dollar and HK Dollar. These factors offset the step up in the tax rate for GS Superhighway, the loss incurred by Phase II West during its first year of operation, and an increase in the finance costs of the Company (excluding JV companies) arising from its issue of RMB corporate bonds with total value of RMB1.98 billion on 13 July 2010 and 18 May 2011.

Consolidated Statement of Comprehensive Income

During the year ended 30 June 2011, the consolidated toll expressway operating, general and administrative expenses increased by 33% from HK$265 million to HK$352 million, compared to the previous year. This was mainly attributable to the addition of Phase II West's toll expressway operating, general and administrative expenses (Phase II West was opened on 25 June 2010), increase in staff cost, as well as the cost of improvement works carried out during the year.

The 29% increase in consolidated depreciation and amortisation charges, from HK$337 million to HK$435 million, was the result of (i) an increase in depreciation charges arising from a surge of 12% in the combined daily traffic on GS Superhighway and Phase I West, and (ii) depreciation charges for Phase II West.

The total amount of consolidated finance costs increased by 235%, from HK$72 million to HK$241 million. The principal factors for this were finance costs incurred by Phase II West during its first full-year of operation and the Company's issue of two RMB corporate bonds with a total value of RMB1.98 billion during the year.

The tax concessions for both GS Superhighway and Phase I West have been adjusted following the PRC's 2008 tax reform, and their EIT rates will increase gradually to 25%. The rate applicable to GS Superhighway rose from 10% to 22% in 2010, and has risen further to 24% in 2011. The rate applicable to Phase I West increased from 10% to 11% in 2010 and has risen to 24% in 2011. The EIT rate for GS Superhighway and Phase I West will be stabilised at 25% from 2012 until the expiry of the contractual operation periods of GS Superhighway JV and Phase I West of West Route JV. These increases in the EIT liabilities of JV companies' will not have significant impact on the Group's results for FY12. Phase II West is exempt from EIT from 2010 to 2012. Its applicable rate from 2013 to 2015 will be 12.5%, and will be raised to 25% from 2016 onwards until the expiry of the contractual operation period of Phase II West of West Route JV.

Liquidity and Financial Resources

The Group's debt balance consisted of the Company's RMB corporate bonds, which totalled RMB1.98 billion, the Group's short term bank loan and its proportionate share of the non-recourse project loans of its PRC JV companies. Its total debt to total assets ratio and gearing ratio (net debt to equity attributable to owners of the Company) were 46% (2010: 40%) and 57% (2010: 43%) respectively. The gearing structure was as follows:

	As at 30 June	
	2010 HK$ million	**2011 HK$ million**
Total debt		
- Company and subsidiaries (including RMB corporate bonds)	0	**2,409**
- JV companies	6,465	**6,412**
Net debt (Note)	3,600	**5,019**
Total assets	16,093	**19,122**
Equity attributable to owners of the Company	8,300	**8,814**
Total debt / total assets ratio	40%	**46%**
Gearing ratio	43%	**57%**

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

As at 30 June 2011, the Group's bank balances and cash on hand (excluding JV companies) amounted to RMB2,856 million, equal to HK$3,439 million or HK$1.16 per share. The Group's bank balances and cash on hand will be sufficient for capital contributions for Phase II West and Phase III West and further shareholder's loans of RMB600 million for Phase III West.

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

Based on its current operating cash flow and in view of its strong financial position, the Board believes the Group's target payout ratio of around 100% is sustainable.

The Company successfully issued two-year RMB corporate bonds with a total value of RMB1.38 billion on 13 July 2010, thus becoming the first non-financial institution to issue RMB corporate bonds in Hong Kong. The RMB corporate bonds issued by the Company in July 2010 will mature on 13 July 2012, while the second tranche of RMB600 million, with a term of three years, issued in May 2011 will mature on 18 May 2014. These bonds have strengthened the Company's financial position. Apart from investments in new projects and HHI's general working capital, most of the proceeds raised will be used to finance the development of Phase III West in the form of equity investment and shareholder's loans. Against the backdrop of the credit-tightening policies now being implemented in the PRC, the additional advance of shareholder's loans by the Company to West Route JV will significantly broaden the JV's financing sources. As at 30 June 2011, the Company had advanced shareholder's loans totalling RMB500 million to West Route JV. Currently, the interest costs of issuing RMB corporate bonds in Hong Kong are lower than those of RMB bank loans with the same maturity term in the PRC.

As at 30 June 2011, the Group's bank balances and cash on hand amounted to HK$3,439 million (2010: HK$2,475 million). Of this, 99.9% (2010: 12%) was denominated in RMB and 0.1% (2010: 88%) in HK Dollars. Net cash on hand at HHI corporate level (excluding JV companies) was RMB855 million, equal to HK$1,030 million or HK$0.35 per share, as at 30 June 2011. The bank balances and cash on hand of the JV companies proportionately shared by the Group amounted to HK$363 million (2010: HK$390 million). The Group received cash dividends from the GS Superhighway JV of HK$422 million, HK$982 million, HK$1,065 million, HK$614 million and HK$1,048 million for the financial years ended 30 June 2011, 2010, 2009, 2008 and 2007 respectively. The reduction in cash dividends from the GS Superhighway JV during FY11 was mainly brought by intercompany borrowings of RMB681 million provided by the GS Superhighway JV to the West Route JV in respect of Phase II West. The cash dividends it has already received and receivable from the GS Superhighway JV make the Group confident that it has sufficient financial resources to cater for its recurring operating activities, as well as its existing and potential investment activities. In view that the existing bank loans of GS Superhighway JV will be fully repaid in 2019 on schedule, the cash flows of GS Superhighway JV as well as the amount of cash dividends to be received by the Company will be much improved thereafter.

The project loans of JV companies that are proportionately shared by the Group are amply covered by the cash flows of those companies. The interest coverage (the ratio of EBITDA to finance costs) of the GS Superhighway JV and the West Route JV (Phase I West and Phase II West) for the year ended 30 June 2011 was 63 times (2010: 53 times) and 1.4 times (June 2010: 2.8 times) respectively. The decrease in the West Route JV's interest coverage was due to finance costs arising from Phase II West, which were no longer be capitalised after its opening in June 2010.

As at 30 June 2011, the total bank and other borrowings of the JV companies proportionately shared by the Group, together with the RMB corporate bonds raised by the Company and the Group's short term bank loan, amounted to approximately HK$8,589 million (2010: HK$5,916 million) with the following profile:

(a) 72% (2010: 99.9%) consisted of bank loans and 28% (2010: 0.1%) of other loans (including RMB corporate bonds with a total value of RMB1.98 billion); and

(b) 29% (2010: 45%) was denominated in US Dollar; 67% (2010: 50%) was denominated in RMB and 4% (2010: 5%) was denominated in HK Dollar. The increase in the percentage of RMB borrowings was due to the Company's issue of RMB corporate bonds.

The Group's net current assets increased by 114%, from approximately HK$1,089 million as at 30 June 2010 to approximately HK$2,328 million as at 30 June 2011. This was mainly attributable to the net proceeds of RMB1.98 billion from the Company's issue of RMB corporate bonds.

Debt Maturity Profile

The maturity profile of the bank and other borrowings of JV companies proportionately shared by the Group, the RMB corporate bonds raised by the Company and the Group's short term bank loan as at 30 June 2011 are shown below, together with the corresponding figures as at 30 June 2010:

	As at 30 June			
	2010		**2011**	
	HK$ million	%	***HK$ million***	**%**
Repayable within 1 year	651	11%	**317**	**4%**
Repayable between 1 and 5 years*	1,493	25%	**4,080**	**47%**
Repayable beyond 5 years	3,772	64%	**4,192**	**49%**
	5,916	100%	**8,589**	**100%**

* RMB corporate bonds with a total value of RMB1.38 billion and RMB600 million will mature in July 2012 and May 2014 respectively.

Interest Rate and Exchange Rate Exposure

The Group closely monitors its exposure to interest rates and foreign currency exchange rates and strictly controls its use of financial instruments. At present, neither the Group nor its JV companies have any financial derivative instruments to hedge its exposure to interest rates or foreign currency exchange rates.

Treasury Policies

The Group continues to adopt prudent and conservative treasury policies in its financial and funding management. Its liquidity and financial resources are reviewed on a regular basis with a view to minimising its funding costs and enhancing the return on its financial assets. Generally, most of the Group's cash is placed in deposits denominated in RMB. Since holding RMB suits the Group's PRC-based operations and the Group can earn higher interest income from RMB deposits than HK Dollar deposits. Hence, the Group has increased the portion of its RMB bank deposits to those in HK Dollar deposits. The percentage of cash held in RMB bank deposits increased from 12% as at 30 June 2010 to 99.9% as at 30 June 2011. The Group's treasury yield improved to 2.1%, compared to 0.3% during the previous financial year. The Group will continue to reinforce its treasury management and evaluate the available options for improving the yields on its substantial cash-deposit portfolio.

Capital Commitments

As at 30 June 2011, the Group had agreed, subject to the approval of relevant authorities, to make additional capital contributions of approximately RMB402.5 million to the West Route JV for the development of Phase II West (2010: RMB402.5 million). It currently envisages making this capital contribution during FY12.

The Group also had an outstanding commitment to make capital contributions amounting to approximately RMB484 million to the West Route JV for the development of Phase III West (2010: RMB784 million) within one year from June 2011. It contributed a total of RMB196 million in FY10, and a further RMB300 million during the year under review. The Group will contribute the remaining capital share of RMB484 million for Phase III West's development before the end of FY12.

As at 30 June 2011, the GS Superhighway JV and the West Route JV were 48% and 50% proportionately shared by the Group respectively. Their outstanding but unfulfilled commitments to acquire property and equipment and for the construction of Phase III West amounted to approximately HK$1,099 million (2010: HK$1,331 million).

Pledge of Assets

As at 30 June 2011, certain assets of the Group's JV companies were pledged to banks in order to secure banking facilities that had been granted to them. The carrying amounts of these assets proportionately shared by the Group were as follows:

	As at 30 June	
	2010	**2011**
	HK$ million	***HK$ million***
Concession intangible assets	6,859	**7,316**
Property and equipment	164	**188**
Inventories	2	**2**
Other receivables and deposits	63	**57**
Bank balances and deposits	122	**295**
	7,210	**7,858**

In addition to the above, 100% of 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 their respective JV companies.

Contingent Liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

Material Acquisition or Disposal

During the year ended 30 June 2011, the Company’s subsidiaries or associated companies made no material acquisitions or disposals.

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 2011.

Review of Annual Results

The annual results of the Group for the year ended 30 June 2011 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 2011

	NOTES	2010 HK$'000	2011 HK$'000
Toll revenue		1,939,557	2,274,571
Revenue on construction		1,520,870	1,536,527
Turnover	3	3,460,427	3,811,098
Other income and other expense	4	9,083	244,870
Construction costs		(1,520,870)	(1,536,527)
Provision for resurfacing charges		(9,571)	(21,166)
Toll expressway operation expenses		(183,464)	(244,155)
Depreciation and amortization charges		(336,997)	(434,810)
General and administrative expenses		(81,992)	(107,855)
Finance costs	5	(72,067)	(240,530)
Profit before tax		1,264,549	1,470,925
Income tax expenses	6	(291,400)	(433,631)
Profit for the year	7	973,149	1,037,294
Other comprehensive income			
Exchange gain arising on translation to presentation currency		39,686	413,485
Total comprehensive income for the year		1,012,835	1,450,779
Profit for the year attributable to:			
Owners of the Company		955,912	1,018,481
Non-controlling interests		17,237	18,813
		973,149	1,037,294
Total comprehensive income attributable to:			
Owners of the Company		995,598	1,431,966
Non-controlling interests		17,237	18,813
		1,012,835	1,450,779
		HK Cents	HK Cents
Earnings per share	9		
Basic and diluted		32.28	34.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	2010	2011
	HK$'000	HK$'000
ASSETS		
Non-current Assets		
Property and equipment	307,095	325,767
Concession intangible assets	12,574,054	14,337,184
Balance with a jointly controlled entity	177,430	232,440
Bank deposits	-	589,960
	13,058,579	15,485,351
Current Assets		
Inventories	1,995	2,360
Deposits and prepayments	63,228	14,214
Interest and other receivables	67,339	103,543
Balance with a jointly controlled entity (Note)	-	304,367
Other receivable from a jointly controlled entity	37,218	-
Pledged bank balances and deposits of jointly controlled entities	122,119	294,836
Bank balances and cash		
- The Group	2,474,859	2,848,925
- Jointly controlled entities	268,055	68,564
	3,034,813	3,636,809
Total Assets	16,093,392	19,122,160
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	296,169	296,169
Share premium and reserves	8,003,982	8,517,986
Equity attributable to owners of the Company	8,300,151	8,814,155
Non-controlling interests	51,847	60,386
Total Equity	8,351,998	8,874,541
Non-current Liabilities		
Bank and other loans of jointly controlled entities	5,265,080	5,888,041
Balance with a joint venture partner	177,376	232,381
Corporate bonds	-	2,383,920
Resurfacing obligations	28,010	52,518
Deferred tax liabilities	325,510	382,033
	5,795,976	8,938,893
Current Liabilities		
Provision, other payables, accruals and deposits received	831,805	831,489
Balances with joint venture partners	371,628	-
Balance with a jointly controlled entity	-	16,398
Bank loans		
- The Group	-	24,700
- Jointly controlled entities	650,867	292,095
Other interest payable	5,208	30,984
Tax liabilities	85,910	113,060
	1,945,418	1,308,726
Total Liabilities	7,741,394	10,247,619
Total Equity and Liabilities	16,093,392	19,122,160

Note:

Reconciliation of current portion of balance with a jointly controlled entity

	2010	2011
	HK$'000	HK$'000
Loans from the Group to a jointly controlled entity	-	608,734
Less: Elimination of the Group's proportionate share of the corresponding amount of the jointly controlled entity	-	(304,367)
Balance with a jointly controlled entity	-	304,367

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

1. BASIS OF PREPARATION

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HKD") as the directors of the Company consider that HKD is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

2. 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"), which are effective for the Group's financial year beginning on 1 July 2010.

IFRSs (Amendments)	Improvements to IFRSs April 2009 that is effective for the annual periods beginning on or after 1 January 2010
IFRSs (Amendments)	Improvements to IFRSs May 2010 except for the improvements that are effective for annual periods beginning on or after 1 January 2011
IAS 32 (Amendments)	Classification of Rights Issues
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

IFRSs (Amendments)	Improvements to IFRSs 2010 that are effective for annual period beginning on or after 1 January 2011[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[3]
IFRS 11	Joint Arrangements[3]
IFRS 12	Disclosure of Interests in Other Entities[3]
IFRS 13	Fair Value Measurement[3]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[3]
IAS 24 (Revised)	Related Party Disclosures[1]
IAS 27 (Revised 2011)	Separate Financial Statements[3]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[3]

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012

Except IFRS 11 and IAS 24 (Revised), the directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

The directors of the Company anticipate that IFRS 11 and IAS 24 (Revised) will be applied in the Group's financial statements for the financial year ending 30 June 2014 and 30 June 2012, respectively and the potential impact is described below.

IFRS 11 replaced IAS 31 "Interests in Joint Ventures". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in IFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under IAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas the Group accounted for its jointly controlled entities under IAS 31 using proportionate consolidation method. The Group's jointly controlled entities that are currently accounted for using proportionate consolidation method will have to be accounted for using the equity method of accounting if they are joint ventures under IFRS 11.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

IAS 24 (Revised) modifies the definition of a related party and simplifies disclosures for government-related entities.

The director of the Company consider that the disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when IAS 24 (Revised) is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of IAS 24 (Revised).

3. TURNOVER AND SEGMENT INFORMATION

Turnover

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:

	2010 HK$'000	2011 HK$'000
Toll revenue before business tax	1,999,580	2,345,508
Business tax	(60,023)	(70,937)
	1,939,557	2,274,571
Revenue on construction	1,520,870	1,536,527
	3,460,427	3,811,098

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.

3. TURNOVER AND SEGMENT INFORMATION - continued

Segment revenue and results

	2010			2011		
	Segment revenue	EBIT	Segment result	Segment revenue	EBIT	Segment result
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
GS Superhighway	1,850,658	1,295,863	984,361*	2,020,680	1,403,266	977,730
Phase I West	87,788	59,439	34,990	96,262	62,788	43,975
Phase II West	1,111	135	(2,404)	157,629	81,318	(54,696)
Total	1,939,557	1,355,437	1,016,947	2,274,571	1,547,372	967,009
Corporate interest income			8,851			83,452
Other income			4,560			1,572
Corporate general and administrative expenses			(40,164)			(47,563)
Corporate finance costs			(12,347)			(53,051)
Corporate income tax expense			(99)			(3,336)
Net exchange (loss) gain, net of related tax			(4,599)*			89,211
Profit for the year			973,149			1,037,294

* The tax relating to the net exchange (loss) gain was included in the segment results when preparing the segment information of the Group in previous year. During the year ended 30 June 2011, the tax relating to the net exchange (loss) gain is excluded from the segment results and presented with the net exchange (loss) gain on a net basis. Therefore, the segment result of GS Superhighway and the net exchange (loss) gain, net of related tax for the year ended 30 June 2010 were restated to conform with current year's presentation.

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 and loan made by the Group to a jointly controlled entity), 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) gain, net of related tax. 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

	2010	2011
	HK$'000	HK$'000
Segment revenue – toll revenue	1,939,557	2,274,571
Revenue on construction	1,520,870	1,536,527
Turnover	3,460,427	3,811,098

3. TURNOVER AND SEGMENT INFORMATION - continued

Other segment information

2010	GS Superhighway	Phase I West	Phase II West	Segment total	Reallocation	Unallocated	Consolidated total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note (i))	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss:							
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

2011	GS Superhighway	Phase I West	Phase II West	Segment total	Reallocation	Elimination	Unallocated	Consolidated total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note (i))	HK$'000 (Note (ii))	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss:								
Depreciation and amortization	366,245	12,509	54,978	433,732	-	-	1,078	434,810
Interest income	(7,793)	(453)	(363)	(8,609)	(10,802)	5,612	(83,452)	(97,251)
Interest expenses	28,200	18,074	136,015	182,289	10,802	(5,612)	53,051	240,530
Income tax expenses	429,558	737	-	430,295	-	-	3,336	433,631

Notes:

(i) 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”.

(ii) Included in the measure of segment profit or loss, interest income/expense for the loan from GS Superhighway to Phase II West are presented on gross basis. Amounts are eliminated 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$14,662,951,000 (2010: HK$12,881,149,000) 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.

4. OTHER INCOME AND OTHER EXPENSE

	2010	2011
	HK$'000	HK$'000
Interest income from:		
Loan made by the Group to a jointly controlled entity	–	7,245
Bank deposits	10,601	79,204
Imputed interest income on interest-free registered capital contributions made to a jointly controlled entity	8,527	10,802
Net exchange (loss) gain	(595)	121,434
Rental income	4,525	4,125
Management fee income from jointly controlled entities	481	1,570
Gain on disposal of property and equipment	3	3
Provision charge (note)	(33,034)	-
Others	18,575	20,487
	9,083	244,870

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 year ended 30 June 2010 and 30 June 2011 which is the management's best estimate with reference to terms of the contract.

5. FINANCE COSTS

	2010	2011
	HK$'000	HK$'000
Interest on:		
Bank loans	153,455	207,502
Corporate bonds	-	47,963
Loans made by a jointly controlled entity	-	233
Imputed interest on:		
Interest-free registered capital contributions made by a joint venture partner	8,525	10,801
Other interest-free loan	396	437
	162,376	266,936
Other financial expenses	12,328	5,382
	174,704	272,318
Less: Amounts included in toll expressway construction costs	(102,637)	(31,788)
	72,067	240,530

6. INCOME TAX EXPENSES

	2010	2011
	HK$'000	HK$'000
The tax charge comprises:		
PRC Enterprise Income Tax		
The Group	60,370	32,007
Jointly controlled entities	228,372	362,961
Deferred taxation	2,658	38,663
	291,400	433,631

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 is the withholding tax in relation to the dividends distributed from 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, a jointly controlled entity of the Group amounting to HK$28,672,000 (2010: 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 amounting to an aggregate at HK$60,270,000).

The PRC Enterprise Income Tax charge of the jointly controlled entities for the year ended 30 June 2011 represents the Group's proportionate share of the provision for the PRC Enterprise Income Tax of GS Superhighway JV for the year ended 30 June 2011 amounting to approximately HK$362,961,000, which is calculated at 22% for the half year ended 31 December 2010 and 24% for the half year ended 30 June 2011 of the estimated taxable profit for the year. No provision for the PRC Enterprise Income Tax of West Route JV has been made as West Route JV has no assessable profit for the year ended 30 June 2011.

The PRC Enterprise Income Tax charge of the jointly controlled entities for the year ended 30 June 2010 represented the Group's proportionate share of the provision for the PRC Enterprise Income Tax of GS Superhighway JV for the year ended 30 June 2010 amounting to approximately HK$224,292,000, which is calculated at 10% for the half year ended 31 December 2009 and 22% for the half year ended 30 June 2010 and the Group's proportionate share of the provision for the PRC Enterprise Income Tax of West Route JV for the year ended 30 June 2010 amounting to HK$4,080,000, which was calculated at 10% of the estimate taxable profit for the half year ended 31 December 2009 and 11% for the half year ended 30 June 2010.

6. INCOME TAX EXPENSES – continued

GS Superhighway JV is entitled to a 5-year exemption from income tax commencing from the first profit-making year as computed under PRC accounting standards and tax regulations and 5-years half of the regular tax rate ("5 + 5" exemption). The first year for which GS Superhighway JV recorded profits for PRC tax purposes was the year ended 31 December 2000 and the "5+5" exemption from income tax expired in December 2009.

West Route JV is entitled to a 2-year exemption from income tax for income from Phase I West commencing from the first profit-making year as computed under PRC accounting standards and tax regulations and a 3-year concessionary rate of half of the regular tax rate ("2 + 3" exemption). The first year for which West Route JV recorded profit from Phase I West for PRC tax purpose was the year ended 31 December 2006 and 2-year exemption from income tax expired in December 2007.

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

Under the Implementation Rules, West Route JV is entitled to a 3-year exemption from income tax from Phase II West commencing from the first receipt of toll revenue on 25 June 2010 and 3-year concessionary rate of half of the regular tax rate. The applicable regular tax rate is 25%.

6. INCOME TAX EXPENSES – continued

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

	2010	2011
	HK$'000	HK$'000
Profit before tax	1,264,549	1,470,925
Tax at normal PRC income tax rate of 25% (2010: 25%)	316,137	367,731
Effect of concessionary rate on income tax expenses	(122,327)	(34,198)
Tax effect of income not taxable for tax purposes	(171,028)	(306,782)
Tax effect of expenses not deductible for tax purposes	210,760	344,327
Differential tax rate on temporary difference of jointly controlled entities	372	839
Deferred tax on undistributed earnings of PRC jointly controlled entities	(2,303)	32,450
Withholding tax on earnings distributed by PRC jointly controlled entities	60,270	28,672
Others	(481)	592
Income tax expenses	291,400	433,631

7. PROFIT FOR THE YEAR

	2010	2011
	HK$'000	HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,612	1,602
Directors' remuneration	15,360	18,150
Other staff costs	114,239	150,004
Total staff costs	129,599	168,154
Amortization of concession intangible assets	306,836	392,427
Depreciation of property and equipment	30,912	42,437
Less: Amount included in toll expressway construction costs	(751)	(54)
	30,161	42,383
Impairment losses reversed on other receivables	(59)	(147)
Gain on disposal of property and equipment	(3)	(3)

8. DIVIDENDS

	2010 HK$'000	2011 HK$'000
Dividends paid and recognized as a distribution during the year:		
Interim dividend paid of HK16 cents per share (2010: HK17 cents)	503,488	473,870
Final dividend paid for the year ended 30 June 2010 of HK15 cents per share (2010: year ended 30 June 2009 of HK18 cents)	533,104	444,254
	1,036,592	918,124
Final dividend proposed of HK18 cents per share (2010: HK15 cents)	444,254	533,104

A final dividend in respect of the financial year 2011 of HK18 cents per share totalling approximately HK$533,104,000 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.

9. 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:

	2010 HK$'000	2011 HK$'000
Earnings for the purposes of basic and diluted earnings per share	955,912	1,018,481

	2010 Number of shares	2011 Number of shares
Number of ordinary shares for the purpose of basic and diluted earnings per share	2,961,690,283	2,961,690,283

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 2010 and 30 June 2011.

10. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities as at 30 June 2011 amounted to approximately HK$17,813,434,000 (2010: HK$14,147,974,000). The Group's net current assets as at 30 June 2011 amounted to approximately HK$2,328,083,000 (2010: HK$1,089,395,000).

As at the date of this announcement, the Board 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 six Independent Non-executive Directors namely, Mr. Philip Tsung Cheng FEI, Mr. Kojiro NAKAHARA, Dr. Gordon YEN, Professor Chung Kwong POON, Mr. Yuk Keung IP and Mr. Brian David Man Bun LI.

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
"DPS"	Dividend per share
"EBIT"	Earnings before interest and tax
"EIT"	Enterprise Income Tax
"EPS"	Earnings per share
"FY07"	the financial year ended 30 June 2007
"FY08"	the financial year ended 30 June 2008
"FY09"	the financial year ended 30 June 2009
"FY10"	the financial year ended 30 June 2010
"FY11"	the financial year ended 30 June 2011
"FY12"	the financial year ending 30 June 2012
"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$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of PRC
"JCE/JCEs"	Jointly controlled entity/entities
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of PRC
"Phase I West"	Phase I of Western Delta Route
"Phase II West"	Phase II of Western Delta Route
"Phase III West"	Phase III of Western Delta Route
"PRC" or "China"	the People's Republic of China
"PRD"	Pearl River Delta
"RMB"	Renminbi, the lawful currency of PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America

"US$" or "US Dollars"	US Dollars, the lawful currency of the United States
"West Route JV"	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the Western Delta Route
"Western Delta Route"	the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West