Hopewell Highway Infrastructure Limited
合和公路基建有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 737)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

Highlights

- Interim dividend of HK17 cents per share was declared. Special dividend of HK84 cents per share was paid in November 2008.
- Profit attributable to equity holders of the Company reported at HK$579 million or HK19.5 cents per share.
- Aggregate daily toll revenue of Guangzhou-Shenzhen Superhighway and Phase I of the Western Delta Route was RMB9.5 million and the aggregate daily traffic was 348,000 vehicles.
- Traffic & toll revenue of Guangzhou-Shenzhen Superhighway gradually rebounded to a level comparable to that of 2006 after completion of maintenance works of Xintang to Dongguan section.
- Revised estimated total investments of Phase II and Phase III of the Western Delta Route.
- Net cash on hand (for the Company but excluding jointly controlled entities) of about HK$2,923 million as at 31 December 2008.

GROUP RESULTS

The Board of Directors of Hopewell Highway Infrastructure Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2008.

For the six months ended 31 December 2008, the aggregate net toll revenue of all expressway projects proportionately shared by the Group recorded an increase of 1% to HK$931 million from HK$924 million of the last corresponding period, which include the effect after the disposal of the entire 45% interest of the Group in Guangzhou East-South-West Ring Road ("ESW Ring Road") in September 2007 and the appreciation of RMB. Among the aggregate net toll revenue proportionately shared by the Group, Guangzhou-Shenzhen Superhighway ("GS Superhighway") and Phase I of the Western Delta Route ("Phase I West") contributed 95% or HK$889 million and 5% or HK$42 million respectively.

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

	Six months ended 31st December	
	2007 *HK$ million*	***2008*** ***HK$ million***
GS Superhighway	842	**889**
Phase I West	36	**42**
ESW Ring Road	46	**0**
	924	**931**

Total toll expressway operation expenses and general and administrative expenses decreased 30% from HK$181 million to HK$126 million and depreciation and amortization charges decreased 11% from HK$168 million to HK$150 million during the six months ended 31 December 2008 mainly due to the disposal of the entire interest of the Group in ESW Ring Road in September 2007. Despite facing the pressure of rising labour cost and commodity prices in the Pearl River Delta ("PRD") region, the Group has taken effective measures to control the cost and enhance the operating efficiency of the joint venture companies.

On 16 March 2007, the PRC government promulgated the New Enterprise Income Tax Law which became effective on 1 January 2008. The tax rate for the Group's PRC joint venture companies change gradually from 18% to 25% over 5 years (20% in year 2009, 22% in year 2010, 24% in year 2011 and 25% in year 2012 respectively). According to the New Law, Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") and Guangdong Guangzhou-Zhuhai West Superhighway Company Limited in respect of Phase I West ("West Route JV"), joint venture companies of the Group, will continue to enjoy the remaining unutilized tax holidays until their respective expiry dates. The deferred tax for the corresponding period had 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. In addition, effective from 1 January 2008, a 5% withholding tax would be levied on dividends arising from and after 2008, payable by joint venture companies to the Group.

The profit attributable to equity holders of the Company decreased 59% from HK$1,404 million of the last corresponding period to HK$579 million, mainly due to the inclusion in the results of the last corresponding period the pre-tax gain of HK$974 million resulted from the disposal of its entire 45% interest in the ESW Ring Road to the PRC joint venture partner for a consideration of RMB1,712.55 million, and the impact of the appreciation of Renminbi, resulted in an exchange gain of HK$152 million mainly arising from the retranslation of the United States dollar and Hong Kong dollar bank loans. Excluding the disposal gain of interest in ESW Ring Road, profit attributable to equity holders of the Company rose 3% from HK$563 million to HK$579 million.

Adoption of IFRIC 12 "Service Concession Arrangements"

Since 1 July 2008, the Group has adopted IFRIC 12 in preparing financial statements under International Financial Reporting Standards and made retrospective adjustments for the previous periods. According to IFRIC 12, the Group accounted for the investment, construction and operation businesses as "service concession arrangements". Changes in major accounting policies and their effects on the condensed consolidated income statement include:

In accordance with IAS 11 "Construction Contracts", the Group recognized revenues and costs for construction services provided under service concession arrangements by adopting the percentage-of-completion method. The revenues incurred in construction services provided by the Group were recognized based on the fair values of considerations received and receivable. In previous periods, no revenues and costs were recognized for such construction services performed on toll expressways. This accounting policy change led to a significant increase in revenues and costs of the Group but with insignificant impact in profits.

In previous periods, toll expressways were deemed as dividable fixed assets, while reconstruction and large-scale maintenance expenses were treated as asset costs which would be amortized in future usage period. In accordance with IFRS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Group made "provision for resurfacing" for expressway surface repavement under service concession arrangements, except for those under reconstruction and upgrading services. Such provisions were made based on the Group's best and reasonable estimates of the extent to expressway resurfacing required and the expected expenses, and the provisions were made at discounted present values thereof. Incremental provisions due to passage of time were recognized as provision for resurfacing charges in the condensed consolidated income statement.

DIVIDENDS

The Board of Directors has declared an interim dividend of HK17 cents per ordinary share in respect of the financial year ending 30 June 2009 (30 June 2008: HK17 cents). The interim dividend will be paid on or about 20 March 2009 to those shareholders as registered at the close of business on 19 March 2009.

Considering the Company was overcapitalized by setting aside a large amount of funds, the Board of Directors declared a special dividend of HK84 cents per ordinary share for the financial year ending 30 June 2009 on 23 October 2008 with a view of increasing the return on equity of the Company. Such special dividend had been paid to the shareholders on 14 November 2008. A special interim dividend of HK7 cents per ordinary share was declared when the Company announced its interim results in respect of the financial period ended 31 December 2007 in February 2008.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Monday, 16 March 2009 to Thursday, 19 March 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 13 March 2009.

BUSINESS REVIEW

Since the exacerbation of financial tsunami, the collapse of global stock markets and the deterioration of world-wide economies from September 2008 onwards, the economies of the PRC and Hong Kong have inevitably been affected. The significantly slackened economic growth and import/export trade had posed hardships to factories and enterprises operations in the PRD region, resulting in a decrease in the demand for freight and passenger transport. For the six months ended 31 December 2008, the aggregate average daily traffic of GS Superhighway and Phase I West recorded a decrease of 4% to 348,000 vehicles and their aggregate average daily toll revenue decreased by 3% to RMB9.5 million. While the toll revenue of Phase I West increased and that of GS Superhighway decreased, the aggregate total toll revenue amounted to RMB1,756 million.

It is anticipated that the construction of Phase II of the Western Delta Route ("Phase II West") will be completed and operation will commence in the financial year of 2010. Upon its completion, it will help enlarge the Company's toll revenue base. Application for the project approval of Phase III of the Western Delta Route ("Phase III West") is being processed by relevant PRC authorities. Dependent upon the approval progress, construction of Phase III West is planned to commence in 2010 and it may take approximately 3 to 4 years to complete. Recently, the market prices of construction materials have significantly dropped as compared to September 2008 when the Group entered into agreements for further investments in Phase II West and Phase III West. This will help reduce the final cost of investments in the two projects. If the prices of construction materials remain at the current level, the total costs of Phase II West and Phase III West will be within the budget.

As reported by the media, the commencement of the construction of the Hong Kong-Zhuhai-Macau Bridge will be advanced to the end of 2009, which will be beneficial to the early expansion and enhancement of the regional highway network. Moreover, economic development on the western bank of the PRD region will be accelerated in view of the initiatives laid down in the Outline of the Eleventh Five-Year Plan for the National Economic and Social Development in Guangdong Province and the Outline of the Plan for the Reform and Development of the PRD (2008–2020) announced by The National Development and Reform Commission in December 2008,. The Group believes that all these will create synergy with the Western Delta Route which will thus be benefited.

Besides, the media has reported that certain sections of the Guangzhou-Shenzhen Coastal Expressway will start construction in 2009. The Group will continue to monitor its development. The Group believes that, with the strategic location of GS Superhighway and its established connection to the regional highway network in addition to the expansion project of turning GS Superhighway into a ten-lane expressway, the status of GS Superhighway as the main artery within the region will further be strengthened.

To cope with the financial tsunami and sustain the continuous economic growth of the PRC, the Central Government has launched recently a number of initiatives and policies to boost the economy by increasing and accelerating investments in transport infrastructure, stimulating domestic demand by means of providing major support for sectors like the automobile industry in various forms, including the reduction of vehicle sales tax, the imposition of fuel tax bundled with the elimination of road maintenance fees and the cancellation of toll charging on grade 2 toll roads country-wide, which altogether act as an incentive to purchase and use cars in light of the reduced costs. Such initiatives are expected to bring about a steady increase in car ownership. Besides, connectivity to the transportation network of the peripheral cities will further be enhanced as the 16th Asian Games will be held in Guangzhou in 2010, thus generating positive impacts on the continuous economic growth of the PRD region and driving the demand for transportation to increase in the region. The Group believes that GS Superhighway and Phase I West will benefit as a result.

Guangzhou-Shenzhen Superhighway

GS Superhighway is the main artery of the expressway network in the PRD region connecting four major cities, namely Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, GS Superhighway's average daily traffic slid 5% to 319,000 vehicles compared with the corresponding period last year. Its average daily toll revenue slightly decreased 3% to RMB9.1 million. The total toll revenue in the six months under review amounted to RMB1,679 million.

As the maintenance and improvement works of the northern bound lanes of Xintang to Dongguan section of GS Superhighway were completed and re-opened to traffic on 9 July 2008, its toll revenue and traffic have been gradually rebounding. However, due to the global economic downturn since the fourth quarter of 2008, the growth of the imports and exports of Guangdong experienced a significant slowdown. Alongside the implementation of the "Green Lane" policy since January 2008 as well as the diversion impact generated by the newly built parallel roads nearby, the toll revenue and traffic are recovering at a pace slower than expected. Currently, the toll revenue and traffic are gradually rebounding to a level comparable to that of 2006, when the historical high of daily toll revenue was recorded. The trend in traffic has now stabilized.

An intelligent traffic management system, jointly installed by the GS Superhighway joint venture company and the Traffic Management Department of Guangdong Provincial Public Security Bureau, was substantially completed during the period under review and operation commenced in January 2009. GS Superhighway is now the first toll expressway model in the Guangdong Province to adopt an intelligent traffic management system. The system helps further enhance the efficiency of the traffic surveillance in detecting and handling traffic accidents so as to minimize congestions thus caused.

A feasibility study on expanding the GS Superhighway to a dual ten-lane expressway is near completion. Approval by relevant authorities can be sought by the joint venture company upon its completion.

The news media has reported that relevant authorities of the Mainland China and Hong Kong are studying the details of introducing a short-term quota system for cross-border private cars at the Shenzhen Bay Port, from which the GS Superhighway may benefit.

Phase I of the Western Delta Route

The Western Delta Route is planned to be constructed in three phases. Its first phase, Phase I West, has commenced operation since April 2004. Phase I West is a 14.7 km closed expressway, total six lanes in dual directions, connecting to ESW Ring Road in the north, and National Highway 105 and Bigui Road of Shunde in the south. Currently, it is the only expressway linking Guangzhou and Shunde.

The growth in the traffic and toll revenue of Phase I West had slowed down mainly due to: (i) the significant slowdown in the growth of imports and exports in the Guangdong Province; (ii) an arrangement of mutual recognition of annual pass for Guangdong and Foshan implemented since October 2008 under which the vehicles of either city are exempted from paying any toll for using the grade 1 toll roads and toll bridges of the other city; and (iii) a higher base value resulted from the substantial growth in traffic and toll revenue of Phase I West after ESW Ring Road became toll-free from September 2007. During the period under review, Phase I West's average daily traffic grew 6% to 29,000 vehicles and average daily toll revenue rose 8% to RMB420,000. The total toll revenue in the six months under review amounted to RMB77 million.

According to the highway network planning of Guangzhou and Foshan, several highways, currently planned and under construction, will be connected to Phase I West upon completion in the next few years, including Foshan First Ring Road extension link, Pingzhou-Danzao Expressway and Pingzhou-Nansha Expressway as well as Guangzhou-Gaoming Expressway, all of which will serve as drivers for the future growth of Phase I West and the entire Western Delta Route.

Phase II of the Western Delta Route

Phase II West is a 46 km closed expressway, total six lanes in dual directions, with its northern end connected to Phase I West in Shunde and extending southwards to Zhongshan, linking with the National Highway 105 and the proposed Xiaolan Expressway and Qijiang Highway of Zhongshan. Upon completion, it will be the only expressway linking Guangzhou to the central area of Zhongshan. The construction of Phase II West is currently planned to be completed and operation will commence in the financial year 2010.

The investment budget for Phase II West was first complied in 2004. As a result of inflation and the State's stringent control policies on land use, the costs of land, construction materials, interest etc. increased significantly in recent years. The investment budget was adjusted upward from the original planned amount of approximately RMB4,900 million (excluding loan interest during construction) to approximately RMB7,200 million (including loan interest during construction). The Group therefore entered into an amendment agreement for the joint investment in, construction and operation of the Phase II West with its PRC partner (the same PRC partner of Phase I West) on 2 September 2008 to increase the Group's share of the registered capital for the project by approximately RMB402.5 million. Details of the transaction can be referred to in the joint announcement made by the Company and Hopewell Holdings Limited ("HHL") on 2 September 2008. The amendment agreement is now being processed by the relevant authorities.

The difference between the budget investment and the registered capital is financed by banks in the Mainland China. Loan facility has been obtained by the joint venture company.

Phase III of the Western Delta Route

Phase III West is a 38 km closed expressway, total six lanes in dual directions, with its northern end connected to Phase II West in Zhongshan and extending southwards to connect to the highway network in Zhuhai.

Phase III West is located at the populous and fast growing cities on the western bank of the PRD region. To fit in the city and transport planning of Zhongshan and Zhuhai and to shorten the lengthy land acquisition and demolition process, the alignment and design of certain sections of Phase III West had been revised. That included increasing the length of tunnel, which is of a higher construction cost, to be built from 2.5 km to 5.1 km. In addition, as a result of inflation and the State's stringent control policies on land use, the costs of land, construction materials, interest, etc. increased significantly in recent years. The investment budget of the project was revised from the original planned amount of RMB3,260 million (excluding loan interest during construction) to RMB5,600 million (including loan interest during construction). Similar to the case of Phase II West, the Group entered into an amendment agreement for the joint investment in, construction and operation of the Phase III West with its PRC partner (also the same PRC partner of Phase I West) on 2 September 2008 to increase the Group's share of the registered capital for the project by approximately RMB409.5 million. Details of the transaction can be referred to the joint announcement made by the Company and HHL dated 2 September 2008. The amendment agreement is now being processed by the relevant authorities. Depending upon the approval progress, it is currently planned to commence construction of Phase III West in 2010 and it may take approximately 3 to 4 years to complete.

Recently, the market prices of construction materials have dropped significantly as compared to September 2008 when the Group entered into agreements for further investments in Phase II West and Phase III West. This will help reduce the final cost of investments in the two projects. If the prices of construction materials remain at the current level, the total costs of Phase II West and Phase III West will be within the budget.

The Group will endeavour to expedite the construction of Phase II West and Phase III West and have them completed as planned. It is expected that, upon the completion of the entire Western Delta Route, it will be the most direct and convenient highway linking up Guangzhou, Foshan, Zhongshan and Zhuhai leading to Macau, and will become a strategic expressway on the western bank of the PRD region.

Hong Kong-Zhuhai-Macau Bridge Project

Over the past two decades, the Group and our Chairman have devoted much effort to the development of the Hong Kong-Zhuhai-Macau Bridge project and have won affirmative recognition from the Central Government and various local governments, as well as extensive support from the general public. Its construction will be speeded up. This reflects the excellent vision of our Chairman and the Group under his leadership. According to latest media coverage, the commencement of project construction may hopefully be advanced to 2009 and the bridge will be opened for use upon completion by 2015.

The Group believes that the fast-track construction plan of the Hong Kong-Zhuhai-Macau Bridge project will not only accelerate the economic cooperation among Guangdong, Hong Kong and Macau but also make positive contribution to the economic development of the western bank of the PRD region in addition to expanding and enhancing the regional highway network.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to the equity holders of the Company) were 38% (30 June 2008: 29%) and 29% (30 June 2008: nil) respectively. The gearing structure is set out below:

	30 June 2008 HK$ million (restated)	***31 December 2008 HK$ million***
Total debt	5,071	**5,485**
Net debt (Note)	0	**2,418**
Total assets	17,423	**14,594**
Equity attributable to the equity holders of the Company	11,550	**8,389**
Total debt/Total assets	29%	**38%**
Net debt/Equity attributable to the equity holders of the Company	0%	**29%**

Note: Net debt is defined as total debt less bank balances and cash together with pledged bank balances and deposits. A zero balance of net debt represented that the bank balances and cash together with pledged bank balances and deposits exceeded total debt as at the balance sheet date.

The annual net cash inflow of the Group (excluding cash flows of joint venture companies proportionately shared by the Group but after payment of dividends to the Company's shareholders and operating expenses of the Group) amounted to approximately HK$2,093 million, HK$890 million and HK$573 million in the past 3 financial years ended 30 June 2008, 2007 and 2006 respectively. The net cash outflow for the six months ended 31 December 2008 of HK$3,074 million included payment of final and special final dividends for the year ended 30 June 2008 and special dividend for the year ending 30 June 2009 totalling HK$3,713 million. Excluding the special dividend of HK$2,495 million, the net cash outflow would be HK$579 million.

At 31 December 2008, the bank and other borrowings of the joint venture companies proportionately shared by the Group amounted to approximately HK$5,011 million (30 June 2008: HK$4,711 million) with the following profile:

(a) 99.9% (30 June 2008: 99.9%) was bank loans and 0.1% (30 June 2008: 0.1%) was other loan; and
(b) 57% (30 June 2008: 63%) was denominated in United States dollars, 36% (30 June 2008: 30%) was denominated in Renminbi and 7% (30 June 2008: 7%) was denominated in Hong Kong dollars.

The net current assets of the Group decreased 56% from approximately HK$5,661 million at 30 June 2008 to approximately HK$2,499 million at 31 December 2008 mainly attributable to the payment of special dividend amounting to HK$2,495 million in November 2008.

In October 2005, the Group obtained a 5-year committed and unsecured syndicated bank revolving credit and term loan facility of HK$3,600 million and the facility was undrawn at 30 June and 31 December 2008.

At 31 December 2008, the bank balances and cash of the Group and of the joint venture companies proportionately shared by the Group amounted to HK$2,923 million (30 June 2008: HK$5,997 million) and HK$144 million (30 June 2008: HK$240 million) respectively. The bank balances and cash of the Group together with the committed undrawn banking facility totaling HK$6,523 million (30 June 2008: HK$9,597 million). Together with stable cash dividend from the Group's joint venture company, GS Superhighway JV (of which the Group had received cash dividend of HK$578 million, HK$614 million and HK$1,048 million for the six months ended 31 December 2008, years ended 30 June 2008 and 2007 respectively), the Group has sufficient financial resources to cater for its recurring operating activities, present and potential investment activities.

In view of strong financial position, the Board is pleased to revise the target dividend payout ratio to 100%. Taking into account the operating cashflow and the dividends paid during the years ended 30 June 2004 to 2007, the Group accumulated a cash surplus of approximately of HK$2.1 billion. Based on current operating cash flows, this target payout ratio is sustainable.

Debt Maturity Profile

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 31 December 2008 as compared to that at 30 June 2008 is shown as follows:

	30 June 2008	***31 December 2008***
Repayable within 1 year	6%	**7%**
Repayable between 1 to 5 years	26%	**29%**
Repayable beyond 5 years	68%	**64%**

Other than the above, the Group has no corporate debt outstanding both at 30 June and 31 December 2008. All the bank borrowings of the jointly venture companies are from PRC banks and carrying at floating interest rates.

Interest Rate and Exchange Rate Exposures

The cash dividends received from the Group's joint venture companies are settled in Hong Kong dollar whereas the Group's expenses are mainly in Hong Kong dollar. Substantial portion of bank borrowings of a joint venture company is denominated in United States dollar which generated an exchange gain upon retranslation of such United States dollar bank borrowings.

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

In prior periods, the Company's functional currency was Hong Kong dollar. During the period, the management has re-evaluated the underlying investment activities and strategy of the Company and have determined that the functional currency of the Company has changed from Hong Kong dollar to Renminbi. The effects of the change of the functional currency of the Company have been accounted for prospectively during the period. Upon the change of the functional currency of the Company from HKD to Renminbi, the Company translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amount for non-monetary items are treated as their historical cost.

Treasury Policies

The Group continues to adopt prudent and conservative treasury policies in financial and funding management. Its liquidity and financial resources are reviewed on a regular basis to minimize the cost of funding and enhance the return on financial assets. All of its cash are generally placed in short-term deposits denominated mainly in Hong Kong dollar. The Group has not invested in any financial derivative instruments or accumulators.

Capital Commitments

On 2 September 2008, the Group entered into amendment agreements in relation to Phase III West with the PRC partner of the West Route JV (the "2008 Phase III Amendment Agreements"). Subject to the approval of the relevant PRC authorities, the total investment for Phase III West will be adjusted to RMB5,600 million, instead of RMB3,260 million as contemplated under the previous amendment agreements in relation to Phase III West entered in 2005 (the "2005 Phase III Amendment Agreements"). 35% of the total investment representing RMB1,960 million will be contributed by the Group and the PRC partner of the West Route JV in equal share. The total capital contribution thereon to be made by the Group to West Route JV for the development of Phase III West will be RMB980 million, instead of RMB570.5 million as contemplated under the 2005 Phase III Amendment Agreements.

On 2 September 2008, the Group also entered into amendment agreements in relation to Phase II West with the PRC partner of the West Route JV. Subject to the approval of the relevant PRC authorities, the total investment for Phase II West will be increased by RMB2,300 million to RMB7,200 million. The corresponding increase in the registered capital of West Route JV by RMB805 million will be contributed by the Group and the PRC partner of the West Route JV in equal share. The increase in capital contribution thereon to be made by the Group to the West Route JV for the development of Phase II West is RMB402.5 million.

As set out in the "Joint Letter from the HH Board and the HHI Board" in the joint circular of the Company and HHL dated 22 September 2008, the Company had applied to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for, and the Stock Exchange had granted, a waiver of the requirement to hold a general meeting to seek independent shareholders' approval of the above-mentioned amendment agreements in relation to Phase II West and Phase III West entered in 2008.

During the six months ended 31 December 2008, the Group made no capital contribution to West Route JV for development of the Phase II West (30 June 2008: RMB587 million). At 31 December 2008, the Group had outstanding commitments to make capital contribution (the total capital being 35% of the total investment amounted to RMB7,200 million) to West Route JV of RMB498.6 million (30 June 2008: RMB96 million).

The difference between the budget investment and the registered capital of Phase II West is financed by banks in Mainland China. Loan facility has been obtained by the joint venture company. The Group is currently planned to make additional capital contribution for Phase II West before the end of 30 June 2010. Such loan facility and equity contributions by the Group and the PRC partner of the West Route JV shall meet completely the funding requirement for Phase II West if the project cost is controlled within the total budget investment.

At 31 December 2008, the Group had agreed, subject to the approval of the relevant PRC authorities, to make capital contribution (the total capital being 35% of the total investment amounted to RMB5,600 million) to West Route JV for development of the Phase III West of RMB980 million (30 June 2008: RMB570.5 million). It is currently planned that the Group will make its capital contribution for Phase III West of RMB980 million before the end of 30 June 2010 and 2011 in the proportion of 35% and 65% respectively.

At 31 December 2008, GS Superhighway JV and West Route JV had outstanding commitments in respect of acquisition of property and equipment, and construction of the Phase II West contracted but not provided for proportionately shared by the Group totaling HK$1,854 million (30 June 2008: HK$1,658 million).

Pledge of Assets

At 31 December 2008, 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 analyzed as follows:

	30 June 2008 HK$ million (restated)	***31 December 2008 HK$ million***
Concession intangible assets	8,306	**8,218**
Bank balances and deposits	235	**139**
Other assets	374	**275**
	8,915	**8,632**

At 30 June 2008 and 31 December 2008, the toll collection right of GS Superhighway JV and 65% of the toll collection right of Phase I West were pledged to banks to secure general banking facilities granted to the respective joint venture company.

Contingent Liabilities

At 31 December 2008, there was no material contingent liabilities for the Group.

Material Acquisition or Disposal

During the six months ended 31 December 2008, there was no material acquisition or disposal of the Company's subsidiaries or associated companies.

OTHER INFORMATION

Review of Interim Results

The unaudited interim results of the Group for the six months ended 31 December 2008 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Employees and Remuneration Policies

As at 31 December 2008, the Group, excluding the joint venture companies, had a total of 34 full-time employees, with 25 in Hong Kong and 9 in the PRC. Recognizing that talents are crucial to the Group's long-term development, the Group offers a repertoire of training programs to the employees during the period under review, with intent to enhance both personal and organizational effectiveness. Typical examples of training programs included High Impact Presentation Skills Training Workshop, Insurance Principles & Practices Workshop and Business Etiquette Training Workshop.

The Group believes when working under a healthier and safer environment, staff commitment and retention will be enhanced, and more productive the staff will be. During the period under review, strenuous effort was made to promote and achieve work-life balance by organizing a variety of recreation, safety and health care programs for the employees. In addition, the Group provided opportunities for the employees and their families to serve the local community. These included our sponsorship and participation in the Walk for Million and Physically Handicapped & Able-Bodied Association Walk organized by the Community Chest and the Hong Kong PHAB Association.

In alignment with the "pay for performance" culture, the Group offers remuneration packages which reflect employees' skills, knowledge and individual performance. The Group continues to provide competitive remuneration packages (including various fringe benefits including medical and personal accident insurance coverage) to employees based on the market practices and individual performance. In addition to the contractual bonus and the discretionary bonus which may be granted to the employees based on the individual performance and the Group's performance, the Group has granted share options and share awards to employees to recognize the contributions by such employees of the Group, to retain quality staff and to attract suitable personnel for further development of the Group.

Purchase, Sale or Redemption of Securities

During the six months ended 31 December 2008, the Company repurchased 4,862,500 shares on the Stock Exchange at an aggregate consideration, including transaction costs, of HK$20,632,000. All the repurchased shares were subsequently cancelled. The nominal value of the cancelled shares of HK$486,250 was debited to share capital and such part of the consideration in excess of the nominal value of the cancelled shares was paid out from the Company's share premium. Details of the repurchases are as follows:

Month of the repurchases	**Total no. of ordinary shares repurchased**	**Lowest price paid per share**	**Highest price paid per share**	**Aggregate consideration paid (including transaction costs)**
		HK$	*HK$*	*HK$*
November 2008	400,000	3.90	4.15	1,653,000
December 2008	4,462,500	4.09	4.30	18,979,000
Total	**4,862,500**			**20,632,000**

The purchases were made for the benefit of the shareholders with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the six months ended 31 December 2008.

Corporate Governance

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company's Directors and an employees' share dealing rule on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of unpublished price sensitive information. Based on the specific enquiries made of all Directors, each of the Directors has confirmed that he has complied fully with the required standard set out in the Model Code throughout the period under review.

Retirement of Director

Mr. Lijia HUANG, an Executive Director of the Company, ceased to be a Director of the Company upon his retirement from the board of Directors of the Company at the conclusion of the Company's Annual General Meeting held on 13 October 2008. He did not seek for re-election due to other personal commitments. The Board would like to express its appreciation for Mr. HUANG's valuable contribution during his tenure of office as a Director of the Company.

On behalf of the Board
Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 26 February 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	NOTES	Six months ended 31 December 2007 (unaudited) HK$'000 (restated)	2008 (unaudited) HK$'000
Toll fee income		923,520	931,265
Revenue on construction		367,440	539,293
Turnover	3	1,290,960	1,470,558
Other income and other expense	4	327,398	122,916
Construction costs		(367,440)	(539,293)
Provision for resurfacing charges		(13,454)	(5,686)
Toll expressway operation expenses		(98,657)	(79,676)
Depreciation and amortisation charges		(168,019)	(150,112)
General and administrative expenses		(81,944)	(46,443)
Finance costs	5	(148,201)	(95,131)
Gain on disposal of a jointly controlled entity	6	973,594	-
Profit before tax		1,714,237	677,133
Income tax expenses	7	(301,231)	(89,159)
Profit for the period	8	1,413,006	587,974
Attributable to:			
Equity holders of the Company		1,404,026	579,033
Minority interests		8,980	8,941
Profit for the period		1,413,006	587,974
Dividends paid	9	594,065	3,713,098
		HK Cents (restated)	HK Cents
Earnings per share	10		
Basic		47.27	19.50
Diluted		47.25	19.50

CONDENSED CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	30 June 2008 (audited) HK$'000 (restated)	31 December 2008 (unaudited) HK$'000
ASSETS		
Non-current Assets		
Property and equipment	183,980	179,636
Concession intangible assets	10,361,834	10,764,558
Balances with jointly controlled entities	530,645	510,167
	11,076,459	11,454,361
Current Assets		
Inventories	2,052	2,303
Deposits and prepayments	17,212	13,522
Other receivables	78,477	56,167
Other receivable from a jointly controlled entity	11,714	-
Pledged bank balances and deposits	235,265	138,667
Bank balances and cash		
- The Group	5,997,274	2,923,226
- Jointly controlled entities	4,865	5,781
	6,346,859	3,139,666
Total Assets	17,423,318	14,594,027
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	297,048	296,653
Share premium and reserves	11,252,505	8,091,936
Equity attributable to equity holders of the Company	11,549,553	8,388,589
Minority interests	50,718	47,678
Total Equity	11,600,271	8,436,267
Non-current Liabilities		
Other payables	55,267	84,744
Bank and other loans	4,444,077	4,670,314
Balances with joint venture partners	360,154	474,294
Provision for resurfacing	25,920	2,193
Deferred tax liabilities	251,731	285,490
	5,137,149	5,517,035
Current Liabilities		
Other payables, accruals and deposits received	383,145	227,852
Bank loans	267,109	340,628
Other payable to a joint venture partner	-	13,178
Other interest payable	5,677	5,602
Tax liabilities	29,967	24,122
Provision for resurfacing	-	29,343
	685,898	640,725
Total Liabilities	5,823,047	6,157,760
Total Equity and Liabilities	17,423,318	14,594,027

Notes:

1. BASIS OF PREPARATION

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

In prior periods, the Company's functional currency was Hong Kong dollars ("HKD"). During the period, the directors have re-evaluated the underlying investment activities and strategy of the Company and have determined that the functional currency of the Company has changed from HKD to Renminbi. The effects of the change of the functional currency of the Company have been accounted for prospectively during the period.

The financial information continue to be presented in HKD as the directors consider that HKD is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are initially measured at fair values and measured at amortised costs using the effective interest method after initial recognition. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2008 except for the matters described below.

Upon the change of the functional currency of the Company from HKD to Renminbi, the Company translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.

In the current interim period, the Group has applied, for the first time, the following new amendments issued by the IASB and the following new interpretations developed by the International Financial Reporting Interpretations Committee (collectively referred to as the "new IFRSs"), which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. PRINCIPAL ACCOUNTING POLICIES - continued

The adoption of these new IFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented.

Service Concession Arrangements

In the current period, the Group has applied IFRIC 12 "Service Concession Arrangements".

The jointly controlled entities of the Group had entered into contractual service arrangements with local government authorities (the "grantor") of the People's Republic of China (the "PRC") to participate in the development, financing, operation and maintenance of toll expressway. Under the arrangements, the jointly controlled entities of the Group carried out the construction or upgrade of toll expressways for the grantor and received in exchange a right to operate the toll expressways concerned as a public service on behalf of the grantor and an entitlement to the toll fees collected from users of the toll expressways.

IFRIC 12 provides guidance on the accounting by the operator of a service concession arrangement which involves the provision of public sector services.

In prior periods, the construction costs incurred on toll expressways for which the jointly controlled entities of the Group are entitled to the operating rights of the toll expressways for a specified concession period, were recorded as property and equipment and were stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation of the toll expressways other than the repavement costs capitalised was calculated to write off their costs, over their expected useful lives or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation of the toll expressways based on the ratio of actual traffic volume compared to the total expected traffic volume over the remaining period of the respective jointly controlled entities to the net carrying value of the assets. The expected traffic volumes are estimated by management or determined by reference to traffic projection reports prepared by independent traffic consultants. Depreciation of repavement costs capitalised is calculated based on a similar basis over an estimated useful life of eight years.

In accordance with IFRIC 12, infrastructure within the scope of this interpretation is not recognised as property and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with IAS 11 "Construction Contracts" for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with IAS 38 "Intangible Assets" to the extent that the operator receives a right (a licence referred to as "concession intangible assets") to charge users of the public service, such amounts are contingent on the extent that the public uses the service. The management considers that the construction profit margin is negligible with reference to the net present value of the estimated future net operating toll revenues less the estimated construction costs entitled by the jointly controlled entities of the Group during the period of provision of construction services. In addition, the operator accounts for the services in relation to the operation of the infrastructure in accordance with IAS 18 "Revenue".

2. PRINCIPAL ACCOUNTING POLICIES - continued

Service Concession Arrangements - continued

Once the underlying toll expressway infrastructure is completed, the concession intangible assets are amortised to write off their cost, over their expected useful lives or the remaining concession period, whichever is shorter, commencing from the date of commencement of commercial operation of the underlying toll expressways using an amortisation method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

As part of its obligations under the arrangements, the jointly controlled entities of the Group assume responsibility for resurfacing of the toll expressways infrastructure they manage. The resulting resurfacing costs, except for upgrade services, are recognised as provisions according to the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", when the jointly controlled entities of the Group has a present legal or constructive obligation as a result of past events.

Provision for resurfacing obligations are measured at the present value of the expenditures expected to be required to settle the obligation at any date that is proportional to the traffic volume by that date, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time (over the estimated resurfacing work for every fifteen years) is recognised as a provision for resurfacing charges in the condensed consolidated income statement.

The deferred tax consequences of the deductible temporary differences are now reassessed on the basis that reflect the tax consequences that would follow the manner in which the Group expects to reverse at each balance sheet date.

For the service arrangements that are impracticable for the Group to apply this interpretation retrospectively at the Group's financial period beginning on 1 July 2007, the Group recognised the intangible assets on 1 July 2007 by using the previous carrying amounts of the intangible assets, (however previously classified) as their carrying amounts as at 1 July 2007. Prepaid lease payments made in conjunction with the service concession arrangements which the Group has no discretion or latitude to deploy for other services other than arising in the service concession arrangement are also reclassified as intangible assets acquired under the service concession arrangement on 1 July 2007. They were previously separately presented and amortised on a straight line basis over the respective service concession period.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Service Concession Arrangements - continued

The Group has incurred additional development expenditure for the construction and development of the toll expressways operated by the jointly controlled entities ("Additional Development Cost"), which were not accounted for by those entities. In prior periods, a portion of such costs, calculated based on the Group's interest in the jointly controlled entities, was included in the costs of toll expressways. The balance of such costs was carried as "Additional investment cost in jointly controlled entities" and was amortised on the same basis adopted by the relevant jointly controlled entities in depreciating their toll expressways. On disposal of a jointly controlled entity, the attributable amount of the unamortised Additional Development Cost is included in the determination of the profit or loss on disposal. "Additional investment cost in toll expressway project under development", which represents the development expenditure incurred for the toll expressway project prior to the commencement of physical construction, was stated at cost less any identified impairment losses.

The above additional investment costs are also reclassified as intangible assets under the service concession arrangement on 1 July 2007.

For the current interim period, except as described above, the Group applied this interpretation retrospectively and the financial impact on the adoption of this interpretation is summarised below.

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of changes in accounting policies resulted from application of IFRIC 12 for the current and prior periods by line items presented according to their function are as follows:

	Six months ended 31 December	
	2007	2008
	HK$'000	HK$'000
Increase in turnover	367,440	539,293
Increase in construction costs	(367,440)	(539,293)
Increase in provision for resurfacing charges	(13,454)	(5,686)
Decrease in depreciation and amortisation charges	38,773	13,961
Increase in income tax expenses	(3,787)	(855)
Increase in profit for the period	21,532	7,420

2. PRINCIPAL ACCOUNTING POLICIES - continued

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

The cumulative effect of the application of the new interpretation as at 30 June 2008 is summarised below:

	As at 30 June 2008 (originally stated) HK$'000	Adjustments HK$'000	As at 30 June 2008 (restated) HK$'000
Balance sheet items			
Property and equipment	9,394,586	(9,210,606)	183,980
Additional investment cost in jointly controlled entities	1,113,375	(1,113,375)	-
Additional investment cost in toll expressway project under development	53,903	(53,903)	-
Prepaid lease payments	139,067	(139,067)	-
Concession intangible assets	-	10,361,834	10,361,834
Provision for resurfacing	-	(25,920)	(25,920)
Deferred tax liabilities	(295,965)	44,234	(251,731)
Total effects on assets and liabilities		(136,803)	
Retained profits	3,500,833	(109,366)	3,391,467
Other reserves	7,888,475	(27,437)	7,861,038
Total effects on equity		(136,803)	

The effects of the application of the new interpretation on the Group's equity at 1 July 2007 are summarised below:

	As at 1 July 2007 (originally stated) HK$'000	Adjustments HK$'000	As at 1 July 2007 (restated) HK$'000
Retained profits	2,818,880	(126,256)	2,692,624
Other reserves	7,779,182	(13,225)	7,765,957
Total effects on equity		(139,481)	

2. PRINCIPAL ACCOUNTING POLICIES - continued

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

Impact on basic earnings per share:

	Six months ended 31 December	
	2007	2008
	HK Cents	HK Cents
Figures before adjustments	46.55	19.25
Adjustments	0.72	0.25
Adjusted	47.27	19.50

Impact on diluted earnings per share:

	Six months ended 31 December	
	2007	2008
	HK Cents	HK Cents
Figures before adjustments	46.54	19.25
Adjustments	0.71	0.25
Adjusted	47.25	19.50

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

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]

2. PRINCIPAL ACCOUNTING POLICIES - continued

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[4]
IFRIC 17	Distributions of Non-cash Assets to Owners[3]
IFRIC 18	Transfer of Assets from Customers[5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for transfers on or after 1 July 2009

The application of IFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the Group's proportionate share of the jointly controlled entities' toll fee income received and receivable from the operations of toll expressways of HK$960,074,000 (six months ended 31 December 2007: HK$952,094,000), net of business tax of HK$28,809,000 (six months ended 31 December 2007: HK$28,574,000) and revenue on construction of HK$539,293,000 (six months ended 31 December 2007, restated: HK$367,440,000).

The Group has only one business segment, namely the construction under service concession, development, operation and management of toll expressways in the PRC through its jointly controlled entities established in the PRC.

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

4. OTHER INCOME AND OTHER EXPENSE

	Six months ended 31 December 2007 HK$'000	2008 HK$'000
Imputed interest income on interest-free registered capital contribution made by the Group to a jointly controlled entity	9,397	19,854
Interest income from:		
Loan made by the Group to a jointly controlled entity	9,386	99
Bank deposits	127,268	68,811
Net exchange gain (loss)	152,482	(7,377)
Rental income	1,727	1,960
Management fee income from jointly controlled entities	1,255	315
Others	19,980	13,360
	321,495	97,022
Fair value adjustment on interest-free registered capital contributions made to a jointly controlled entity	5,903	25,894
	327,398	122,916

5. FINANCE COSTS

	Six months ended 31 December 2007 HK$'000	2008 HK$'000
Interest on:		
Bank loans	145,974	112,799
Imputed interest on:		
Interest-free registered capital contributions or loans made by joint venture partners	10,798	13,732
Other interest-free loan	159	185
	156,931	126,716
Other financial expenses (note a)	6,242	6,687
	163,173	133,403
Less: Amounts included in toll expressway construction costs (note b)	(14,972)	(38,272)
	148,201	95,131

5. FINANCE COSTS - continued

Notes:

(a) Other financial expenses mainly represent the amortisation of the up-front fees and related charges in connection with the revolving credit and term loan facilities in the aggregate amount of HK$3,600,000,000 offered to the Group by a syndicate of banks which is available for the period of 5 years commencing from 13 October 2005. At 30 June 2008 and 31 December 2008, the Group had not utilised any part of such facilities.

(b) Borrowing costs capitalised during the period arose on bank borrowings by applying a capitalisation rate of 7.047% (six months ended 31 December 2007: capitalisation rate of 5.270% arose on bank borrowing and a loan made by a joint venture partner) per annum to expenditure on the toll expressway construction costs.

6. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

On 9 August 2007, the Group entered into an agreement with the PRC joint venture partner of 廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), a jointly controlled entity of the Group, pursuant to which the Group agreed to sell, and PRC partner of Ring Road JV agreed to purchase, the entire 45% interest of the Group in Ring Road JV and other rights, duties and obligations in the ESW Ring Road project for a consideration of RMB1,712,550,000 (equivalent to approximately HK$1,765,907,000). The disposal was completed in late September 2007 and the gain on disposal of a jointly controlled entity of HK$973,594,000 was recognised in the condensed consolidated income statement for the six months ended 31 December 2007.

The results of Ring Road JV included in the condensed consolidated income statement were as follows:

	Six months ended 31 December	
	2007	2008
	HK$'000	HK$'000
Turnover	45,516	-
Other income	24,441	-
Toll expressway operation expenses	(16,424)	-
Depreciation and amortisation charges	(11,107)	-
General and administrative expenses	(6,451)	-
Finance costs	(21,440)	-
Profit before tax	14,535	-
Income tax expenses	(46,201)	-
Loss for the period	(31,666)	-

6. DISPOSAL OF A JOINTLY CONTROLLED ENTITY - continued

The Group's proportionate share of the net assets in respect of Ring Road JV at the date of disposal were as follows:

	HK$'000 (restated)
Net assets disposed of:	
Property and equipment	9,124
Concession intangible assets	2,428,642
Other receivables from joint venture partners	237,801
Bank balances and cash	45,995
Other current assets	2,956
Bank loans	(1,419,061)
Balances with joint venture partners	(111,681)
Deferred tax liabilities	(154,859)
Other payables, accruals and deposits received	(21,941)
Other current liabilities	(2,326)
	1,014,650
Assignment of balance with a jointly controlled entity	129,806
Assignment of other payable to a jointly controlled entity	(275,225)
Release of translation reserve	(76,918)
	792,313
Gain on disposal	973,594
Total consideration	1,765,907
Satisfied by:	
Cash	1,765,907
Net cash inflow (outflow) arising on disposal:	
Cash consideration	1,765,907
Bank balances and cash disposed of	(45,995)
	1,719,912

7. INCOME TAX EXPENSES

	Six months ended 31 December	
	2007	2008
	HK$'000	HK$'000
	(restated)	
The tax charge comprises:		
PRC Enterprise Income Tax		
- The Group	155,305	75
- Jointly controlled entities	52,065	55,140
Deferred taxation		
- Current period	4,032	33,944
- Attributable to a change in tax rate	89,829	-
	301,231	89,159

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

The PRC Enterprise Income Tax charge of the Group for the six months ended 31 December 2007 represented mainly the PRC Enterprise Income Tax of approximately HK$22,889,000 on the amount received from 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"), a jointly controlled entity of the Group, amounting to RMB725,140,000 in relation to repayment of additional development expenditure for the construction and development of the toll expressway undergone by GS Superhighway JV previously incurred by the Group, and the withholding tax in relation to disposal of interest in Ring Road JV amounting to approximately HK$132,376,000, which are calculated at the rates prevailing in PRC.

The PRC Enterprise Income Tax charge of the jointly controlled entities represents the Group's proportionate share of the provision for the PRC Enterprise Income Tax of GS Superhighway JV amounting to approximately HK$54,285,000 (six months ended 31 December 2007: HK$52,065,000), which is calculated at 9% (six months ended 31 December 2007: 7.5%) of the estimated assessable profit for the period and the Group's proportionate share of the provision for the PRC Enterprise Income Tax of 廣東廣珠西線高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV"), another jointly controlled entity of the Group, amounting to approximately HK$855,000 (six months ended 31 December 2007: nil), which is calculated at 9% (six months ended 31 December 2007: nil) of the estimated profit for the period.

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 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 2008, 2009, 2010, 2011 and 2012 respectively.

8. PROFIT FOR THE PERIOD

	Six months ended 31 December 2007 HK$'000 (restated)	2008 HK$'000
Profit for the period has been arrived at after charging:		
Amortisation of concession intangible assets	157,927	137,449
Depreciation of property and equipment	10,092	12,663
Gain on disposal of property and equipment	(22)	(37)

9. DIVIDENDS

A final dividend and a special final dividend in respect of the year ended 30 June 2008 of HK13 cents per share (year ended 30 June 2007: HK20 cents) and HK28 cents per share (year ended 30 June 2007: nil) respectively were paid to shareholders on 14 October 2008.

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

Subsequent to the interim period end, the directors have declared that interim dividend in respect of the year ending 30 June 2009 of HK17 cents per share (year ended 30 June 2008: an interim dividend and a special interim dividend of HK17 cents per share and HK7 cents per share respectively) totalling approximately HK$503,487,000 (year ended 30 June 2008: HK$712,915,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 19 March 2009.

10. EARNINGS PER SHARE

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

	Six months ended 31 December 2007 HK$'000 (restated)	2008 HK$'000
Earnings for the purpose of basic and diluted earnings per share	1,404,026	579,033

10. EARNINGS PER SHARE - continued

	Six months ended 31 December	
	2007	2008
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,970,333,326	2,969,584,932
Effect of dilutive potential ordinary shares:		
Share options	653,032	-
Unvested shares awarded	517,001	366,065
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,971,503,359	2,969,950,997

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

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for six months ended 31 December 2008.

11. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2008 amounted to approximately HK$13,953,302,000 (30 June 2008, restated: HK$16,737,420,000). The Group's net current assets at 31 December 2008 amounted to approximately HK$2,498,941,000 (30 June 2008, restated: HK$5,660,961,000).

As at the date of this announcement, the Board of Directors of the Company comprises seven 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. Cheng Hui JIA and Mr. Barry Chung Tat MOK and four Independent Non-Executive Directors namely, Mr. Philip Tsung Cheng FEI, Mr. Lee Yick NAM, Mr. Kojiro NAKAHARA and Dr. Gordon YEN and one Alternate Director namely, Mr. Nicholas Tai Keung MAY (Alternate Director to Mr. Barry Chung Tat MOK).

** for identification only*