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

Stock Code 股份代號：737

Being the major artery in the Pearl River Delta ("PRD") highway network, our expressways have been serving passenger as well as freight-transportation needs and contributed to the thriving economic development of the PRD region. While we celebrate the 5th anniversary of the listing of Hopewell Highway Infrastructure Limited in 2008, we will continue to commit our efforts to providing quality service and ensuring sustainable competitiveness of our expressways.

作為珠江三角洲(「珠三角」)高速公路網絡的大動脈，我們的高速公路一直配合客運及貨運的需要提供服務，為促進珠三角地區蓬勃的經濟發展作出貢獻。在二零零八年，我們慶祝合和公路基建有限公司上市五周年，與此同時，我們將繼續致力於提供優質服務及維持旗下高速公路的可持續競爭力。

HHI Projects
合和公路基建項目

1 GS Superhighway
廣深高速公路

A 122.8 km closed system asphalt-paved expressway with total six lanes in dual directions running between Huanggang in Shenzhen and Guangdan in Guangzhou where it connects to the ESW Ring Road.

連接東南西環高速公路，全長122.8公里由深圳市皇崗至廣州市廣氮封閉式瀝青路面之雙向共六車道高速公路。

4 Phase III West (Under planning)
西綫III期（籌備中）

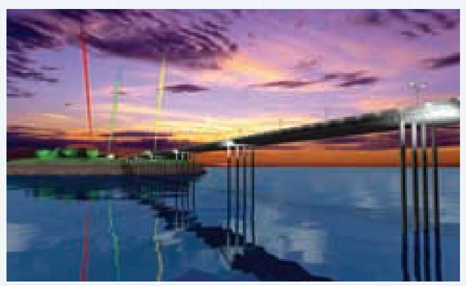
Connecting to Phase II West, an expressway running between Zhongshan and Zhuhai.

緊接西綫II期，將連接中山市和珠海市之高速公路。

2 Phase I West
西綫I期

A 14.7 km closed system asphalt-paved expressway with total six lanes in dual directions linking Guangzhou to Shunde. It connects to ESW Ring Road and opened to traffic on 30 April 2004.

與東南西環高速公路連接，全長14.7公里由廣州市至順德封閉式瀝青路面之雙向共六車道高速公路，已於二零零四年四月三十日通車。



5 Hong Kong-Zhuhai-Macau Bridge (Proposed)
港珠澳大橋（倡議中）

The proposed 29 km Y-shaped bridge will connect Hong Kong, Zhuhai and Macau.

倡議中的29公里Y型大橋將把香港與珠海及澳門連繫起來。

3 Phase II West (Under construction)
西綫II期（興建中）

Connecting to Phase I West, an approximately 46 km expressway running between Shunde and Zhongshan.

緊接西綫I期，將連接順德和中山市全長約46公里的高速公路。

Transportation Infrastructure 交通基建：

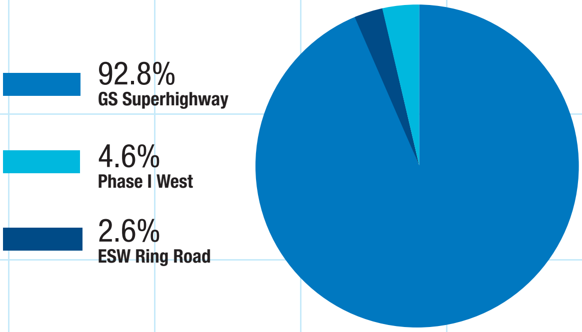
- Guangzhou-Shenzhen Superhighway 廣深高速公路
- Phase I of the Western Delta Route 珠江三角洲西岸幹道I期
- Phase II of the Western Delta Route (under construction) 珠江三角洲西岸幹道II期（興建中）
- Phase III of the Western Delta Route (under planning) 珠江三角洲西岸幹道III期（籌備中）

Contents

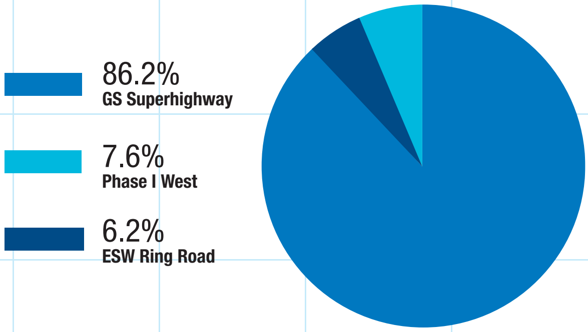
Hopewell Highway Infrastructure Limited ("HHI") (stock code: 737), listed on The Stock Exchange of Hong Kong Limited since August 2003, builds and operates strategic expressway infrastructure in Guangdong Province. With the strong support and well-established experience of its listed parent, Hopewell Holdings Limited (stock code: 54), HHI focuses on the initiation, promotion, development, investment and operation of toll expressways and bridges, particularly in the thriving Pearl River Delta region.

Financial Highlights

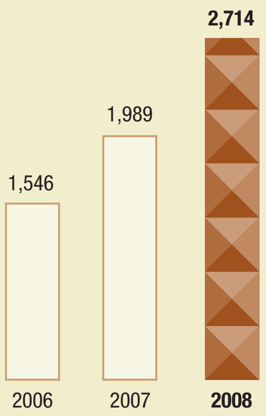
Turnover by Expressway



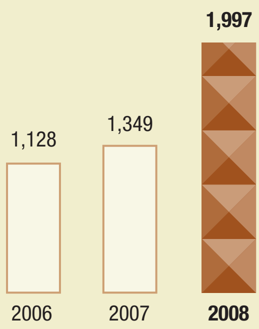
Total Traffic by Expressway



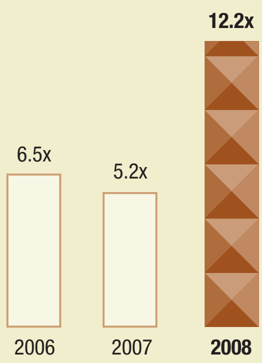
Earnings before Interest and Tax
(HK$ million)



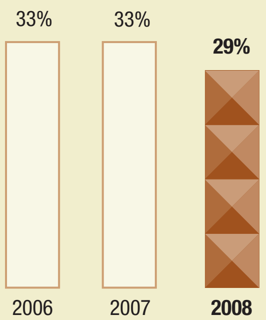
Profit Attributable to Equity Holders of the Company
(HK$ million)



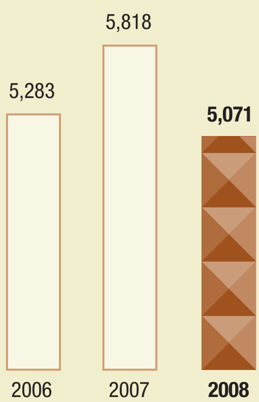
Interest Coverage
(EBITDA / Interest)



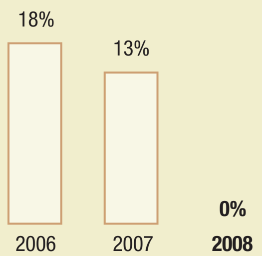
Total Debt to Total Assets



Total Debt
(HK$ million)



Net Debt* to Equity Attributable to the Equity Holders of the Company



* *Total debt less bank balances and cash, 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.*

5-Year Financial Summary

Consolidated Results

(in HK$ million)	Year ended 30 June 2004	2005	2006	2007	2008
Turnover	1,245	1,514	1,735	2,026	**1,717**
Profit before tax	770	980	1,260	1,529	**2,462**
Income tax expenses	(22)	(63)	(111)	(155)	**(446)**
Profit for the year	748	917	1,149	1,374	**2,016**
Attributable to:					
Equity holders of the Company	**733**	**899**	**1,128**	**1,349**	**1,997**
Minority interests	15	18	21	25	**19**
Profit for the year	**748**	**917**	**1,149**	**1,374**	**2,016**

Consolidated Assets and Liabilities

(in HK$ million)	As at 30 June 2004	2005	2006	2007	2008
Property and equipment	9,545	9,360	9,381	10,203	**9,394**
Additional investment cost in jointly controlled entities	1,861	1,815	1,763	1,706	**1,113**
Additional investment cost in toll expressway project under development	38	46	47	49	**54**
Prepaid lease payments	129	124	124	126	**134**
Balances with jointly controlled entities	1,088	1,095	1,167	806	**531**
Held-to-maturity debt securities	711	–	–	–	**–**
Current assets	1,905	2,954	3,594	4,534	**6,352**
Total assets	**15,277**	**15,394**	**16,076**	**17,424**	**17,578**
Current liabilities	(440)	(456)	(529)	(632)	**(686)**
Non-current liabilities	(5,541)	(5,370)	(5,211)	(5,853)	**(5,155)**
Total liabilities	**(5,981)**	**(5,826)**	**(5,740)**	**(6,485)**	**(5,841)**
Minority interests	(32)	(33)	(36)	(44)	**(51)**
Equity attributable to equity holders of the Company	**9,264**	**9,535**	**10,300**	**10,895**	**11,686**

Earnings Per Share

(in HK cents)	2004	2005	2006	2007	2008
Basic	26.09	31.18	38.85	45.45	**67.25**
Diluted	26.05	30.98	38.63	45.43	**67.22**

Financial Ratios

	2004	2005	2006	2007	2008
Net debt[(1)] to equity attributable to equity holders of the Company	34%	27%	18%	13%	**0%**
Return on equity attributable to equity holders of the Company	8%	9%	11%	12%	**17%**

Note: (1) Net debt is defined as total debt (including bank and other loans and balances with joint venture partners) less bank balances and cash, pledged bank balances and deposits and held-to-maturity debt securities. 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.

Chairman's Statement

"New users will become a major driving force for future development of our expressways, such as local commuters and holiday makers."

I am pleased to report that the Group, comprising the Company and its subsidiaries, continued to deliver impressive financial results for the year ended 30 June 2008, with profit attributable to equity holders of the Company of HK$1,997 million, representing a 48% increase over the last financial year's HK$1,349 million. Basic earnings per share increased to HK67.25 cents, a 48% rise over the last year's HK45.45 cents per share.

During the year under review, the Guangzhou-Shenzhen Superhighway ("GS Superhighway") and the Phase I of the Western Delta Route ("Phase I West") continued to provide strong profit and cashflow to the Group. The Group also realized a pretax gain of HK$974 million on disposal of its 45% stake in the Guangzhou East-South-West Ring Road ("ESW Ring Road"). In addition, the continuing appreciation of Renminbi contributed to an exchange gain of HK$439 million.

This year is the fifth anniversary of the Company since its listing in August 2003. The financial position of the Group has continued to be stronger in the last five years. The profit attributable to shareholders has increased substantially from HK$733 million for the year ended 30 June 2004 to HK$1,997 million in this financial year. Building on this success, the Group will continue to seek investment opportunities in the Pearl River Delta ("PRD") region and to deliver steady and attractive returns to shareholders.

Final Dividend and Special Final Dividend

In view of the good performance and strong financial position, the Board of Directors has recommended a final dividend of HK13 cents per share and a special final dividend of HK28 cents per share. Together with the interim and special interim dividends of HK24 cents per share already paid, total dividends for the full year will be HK65 cents per share, a 86% increase as compared to HK35 cents for the last financial year. Subject to approval of the shareholders at the forthcoming annual general meeting to be held on 13 October 2008, the proposed final dividend and special final dividend will be paid on or about 14 October 2008 to shareholders as registered at the close of business on 13 October 2008.

Closure of Register

The Register of Members of the Company will be closed from Monday, 6 October 2008 to Monday, 13 October 2008, both days inclusive, during that period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend and special final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 3 October 2008.

Financial Status

The Group's proportionately-shared net toll revenue for the year ended 30 June 2008 decreased 15% from HK$2,026 million to HK$1,717 million. After the disposal of the ESW Ring Road, the Group ceased to share in its toll revenue. Due to the adjustment of the profit sharing ratio in the joint venture company for GS Superhighway ("GS Superhighway JV") from 50% to 48% from 1 July 2007 onwards, the Group's share of toll revenue in GS Superhighway JV was also reduced. In addition, the planned temporary closure of the Xintang to Dongguan section of GS Superhighway in phases from October 2007 to July 2008 for maintenance and improvement works resulted in a drop in toll revenue.

Financial Year	2007	**2008**	% Change
GS Superhighway (at joint venture company level)			
Average Daily Traffic (No. of vehicles '000)	324	**320**	-1%
Average Daily Toll Revenue (RMB '000)	10,035	**8,713**	-13%
Phase I West (at joint venture company level)			
Average Daily Traffic (No. of vehicles '000)	26	**28**	10%
Average Daily Toll Revenue (RMB '000)	376	**406**	8%

The Group maintained a strong financial position throughout the year ended 30 June 2008. A pretax gain of HK$974 million was realized on disposal of its 45% stake in the ESW Ring Road. The Group also benefited from the continuous appreciation of the Renminbi during the year. Owing to such appreciation and the fact that the majority of the loans borrowed by the People's Republic of China ("PRC") joint venture companies were denominated in United States Dollar, the Group reported an exchange gain of HK$439 million for the year.

Chairman's Statement

The Group's balance sheet remains very healthy. Net current assets reached HK$5,666 million as at 30 June 2008, a 45% increase over the HK$3,902 million as at the last financial year end. With the strong cash flow generated by its expressway projects and the disposal of the ESW Ring Road, the Group's bank balances and cash, pledged bank balances and deposits exceeded total attributable debt as at the end of the financial year. Save for borrowings of the PRC joint venture companies, the Group has no outstanding corporate debt. As at 30 June 2008, the Group (excluding all PRC joint venture companies) had cash on hand of HK$6.0 billion and a syndicated bank loan facility of HK$3.6 billion remained undrawn. The huge cash surplus and bank facility place the Group in an excellent financial position to capture future investment opportunities.

Business Review and Outlook

During the year under review, Mainland China including Guangdong Province maintained its high growth momentum with the gross domestic product of Guangdong continuously growing over 10%, despite some natural disasters in the first half of 2008 in few provinces and the unfavourable development of the global economic climate. The trend of urbanization, the enhancement of highway networks in Guangdong, in particular, the PRD region, and the rapid increase in car ownership have created favourable external environment for the Group's core business. New users will become a major driving force for future development of our expressways, such as local commuters and holiday makers.

Owing to several unforeseen situations arising in the year under review, primarily the unusual snowstorm occurred in the peak traffic period around the Chinese New Year in early 2008, the Green Lane policy imposed by the Central Government to exempt tolls temporarily throughout 2008 for certain trucks travelling on some major expressways, the change in road network in Shenzhen, and the planned temporary closure of a section of GS Superhighway for maintenance and improvement works, the toll revenue of GS Superhighway recorded a drop as compared to that of last year. However, with the maintenance and improvement works of the section completed and reopened since 9 July 2008, the average daily traffic and toll revenue of GS Superhighway have gradually rebounded to the level comparable to that of last year. Given the strategic location of GS Superhighway and its connection to regional highway network well established over the past decade, the Group believes that GS Superhighway will continue to be the main artery within the region even though there may be some probable competitive routes in future such as the Guangzhou Shenzhen Coastal Expressway.

During the year under review, as the traffic diversion from Phase I West caused by a parallel-run local toll-free road in Foshan was stabilized and ESW Ring Road became toll-free since mid September 2007, Phase I West's traffic and toll revenue resumed significant growth momentum.

Subsequent to the year end, it was announced on 2 September 2008 that for the disclosed reasons, the Group entered into agreements with Phase I West's joint venture partner to increase the project investment costs for Phase II and Phase III of the Western Delta Route ("Phase II West" and "Phase III West" respectively) and correspondingly to increase the Group's share of additional capital by an approximate total amount of RMB812 million. The estimated total amount of project investment costs for Phase II West and Phase III West are increased to RMB12.8 billion. The transactions are subject to the approval by, among others, the shareholders of the Company and its parent company, Hopewell Holdings Limited ("HHL"). It is currently planned to complete Phase II West in the financial year ended 30 June 2010 and to

Nanya Toll Station of Phase I West

Xintang to Dongguan section of GS Superhighway after maintenance and improvement works commence construction of Phase III West in 2010 with completion in approximate 3 to 4 years. The Group is committed and will endeavour to expedite the construction of Phase II West and Phase III West and complete them as planned. In view of the rapid urbanization, fast growing economy and transportation of the western bank of the PRD region, the Group believes that all these will create synergy with the Western Delta Route as soon as it is fully completed.

Over the past two decades, the Group has devoted much effort towards the development of Hong Kong-Zhuhai-Macau Bridge project. As recently reported by the media, the Hong Kong-Zhuhai-Macau Bridge project is currently planned to commence construction at the earliest in 2010 and to be completed by 2015. We are pleased to see that the project has won affirmative recognition of the Central Government and various local governments, as well as comprehensive support from the general public. Its pace of construction is going to speed up. This reflects the excellent vision of the Group.

The Group believes that the fast-track construction plan of the Hong Kong-Zhuhai-Macau Bridge project will not only increase the economic cooperation of Guangdong, Hong Kong and Macau, but also actively contribute to the economic development of the western bank of the PRD region, in addition to expand and improve the regional highway network.

Change of Director

Mr. Yuk Keung IP was appointed an Independent Non-Executive Director and a member of the Audit Committee of the Company with effect from 13 August 2007. Due to other business commitments, Mr. IP resigned from the board of the Company with effect from 29 February 2008. On 7 May 2008, Mr. Nicholas Tai Keung MAY was appointed as Alternate Director to Mr. Barry Chung Tat MOK, Executive Director of the Company. I would like to take this opportunity to thank Mr. IP for his valuable contribution towards the Company during his tenure of office.

Appreciation

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

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 10 September 2008

Profile of Directors

Executive Directors:

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Aged 72, he has been the Chairman of the Board of the Company since July 2003. He is also the Chairman of HHL, the ultimate holding company of the Company, a director of various subsidiaries of the Company. He graduated from Princeton University with a Bachelor of Science degree in Engineering in 1958. He was responsible for the Company's infrastructure projects in the PRC and has been involved in the design and construction of numerous buildings and development projects of HHL and its subsidiaries in Hong Kong, the PRC and overseas, including the Shajiao B power plant which received the British Construction Industry Award and setting a world record of completion within 22 months. He is father of Mr. Thomas Jefferson WU, Managing Director of the Company.

He is very active in civic activities and community service, his civic and community duties include:

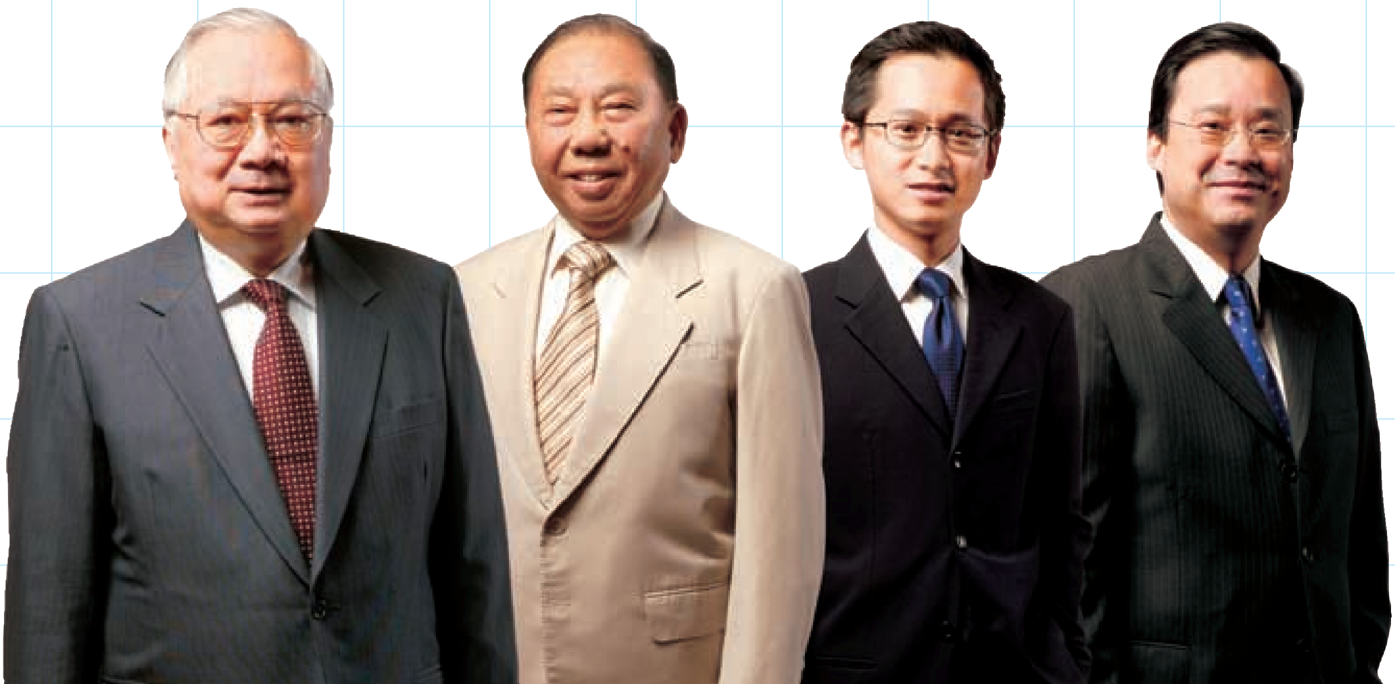
In Hong Kong

- Member — Commission on Strategic Development
- Vice President — The Real Estate Developers Association of Hong Kong
- Patron — Hong Kong Logistic Association
- Honorary Vice President — Hong Kong Football Association Limited

In the PRC

- Deputy Director — Chinese People's Political Consultative Conference
  – Overseas Chinese Affairs Committee
- Director — United Nations Association of China
- Advisor — China Development Bank

Management Team



Sir Gordon Ying Sheung WU
GBS, KCMG, FICE
Chairman

Mr. Eddie Ping Chang HO
Vice Chairman

Mr. Thomas Jefferson WU
Managing Director

Mr. Alan Chi Hung CHAN
Deputy Managing Director

Sir Gordon WU received Honorary Doctorate Degrees from Hong Kong Polytechnic University, University of Strathclyde, UK, University of Edinburgh, UK, Lingnan University, Hong Kong and City University of Hong Kong. He is a Fellow of The Institution of Civil Engineers, UK, The Chartered Institute of Logistics and Transport in Hong Kong and Hong Kong Academy of Engineering Sciences. He is also a Honorary Fellow of Australian Society of Certified Practising Accountants. He has been appointed the Honorary Consul of The Republic of Croatia in the Hong Kong SAR. His other awards include:

Honorary Citizen

- The City of New Orleans, USA
- The City of Guangzhou, PRC
- The City of Foshan, PRC
- The City of Shenzhen, PRC
- The District of Shunde, PRC
- The District of Nanhai, PRC
- The District of Huadu, PRC
- The Province of Quezon, the Philippines

Awards and Honours	Year of Award
Officer de L'Ordre de la Couronne by HM Albert II, the King of Belgium	2007
The Order of Croatian Danica with figure of Blaz Lorkovic by the Republic of Croatia	2007
Gold Bauhinia Star (G.B.S.) by the Hong Kong SAR	2004
Leader of the Year 2003 (Business/Finance) by Sing Tao Newspaper Group	2004
Personality of the Year 2003 by the Asian Freight & Supply Chain Awards	2003
Knight Commander of the Order of St. Michael and St. George for Services to British Exports by the Queen of England	1997
Industry All-Star by Independent Energy, USA	1996
International CEO of the Year by George Washington University, USA	1996
Among "the Best Entrepreneurs" by Business Week	1994
Man of the Year by the International Road Federation, USA	1994
Business Man of the Year by the South China Morning Post and DHL	1991
Asia Corporate Leader by Asia Finance Magazine, Hong Kong	1991
Chevalier de L'Ordre de la Couronne by the King of Belgium	1985

Ir. Leo Kwok Kee LEUNG
Executive Director

Mr. Lijia HUANG
Executive Director

Mr. Cheng Hui JIA
Executive Director

Mr. Barry Chung Tat MOK
Executive Director

Mr. Nicholas Tai Keung MAY
Alternate Director to Mr. Barry Chung Tat MOK

Profile of Directors

Mr. Eddie Ping Chang HO

Aged 75, he has been the Vice Chairman of the Company since July 2003 and is a director of various subsidiaries of the Company. He is also the Vice Chairman and Managing Director of HHL and the Chairman of the Remuneration Committees of both the Company and HHL. He is responsible for the overall management of HHL. He has extensive experience in implementation of property development and major infrastructure strategic development projects and has been in charge of negotiating all joint ventures and financing for development projects in the PRC, including hotel, power plant and road infrastructure projects undertaken by the Company and the group of companies of HHL. He is an Honorary Citizen of the cities of Guangzhou, Foshan and Shenzhen, and the Shunde District in the PRC.

Mr. Thomas Jefferson WU

Aged 36, an Executive Director of the Company since January 2003, he was appointed the Managing Director in July 2003. He is also the Co-Managing Director of HHL and a director of various subsidiaries of the Company. He is responsible for strategic planning, corporate policy and overall management of the Company and has upgraded its financial and management accounting systems. He holds a Master of Business Administration degree from Stanford University and a Bachelor of Science degree in Mechanical and Aerospace Engineering from Princeton University. In 2006, the World Economic Forum selected Mr. WU as a "Young Global Leader". He is a Standing Committee member and a member of the Huadu District Committee of The Chinese People's Political Consultative Conference and a Honorary Citizen of the City of Guangzhou in the PRC. Mr. WU is also a member of the Advisory Committee of the Securities and Futures Commission, a member of the Pan-Pearl River Delta Panel of the Central Policy Unit of the Hong Kong SAR Government, a member of the China Trade Advisory Committee of Hong Kong Trade Development Council, Vice Chairman of The Chamber of Hong Kong Listed Companies, a member of the board of directors of The Community Chest of Hong Kong, the Honorary Consultant of the Institute of Accountants Exchange, Honorary President of the Association of Property Agents and Realty Developers of Macau, Honorary President of the Association of Huadu in Macau, Vice Chairman of the Chinese Ice Hockey Association, Honorary President of the Macau Ice Sports Federation, Chairman of Hong Kong Amateur Hockey Club Limited and Hong Kong Academy of Ice Hockey Limited and an independent director of Melco Crown Entertainment Limited. He is a son of Sir Gordon Ying Sheung WU, Chairman of the Board.

Mr. Alan Chi Hung CHAN

Aged 49, he has been an Executive Director of the Company since January 2003 and was appointed the Deputy Managing Director in July 2003. He is also a director of various subsidiaries of the Company. He was awarded a Bachelor of Science degree from the Chinese University of Hong Kong in 1983 and a Postgraduate Diploma in Management Studies from the City University of Hong Kong in 1989. He is responsible for project coordination, project finance, management and administration of the expressway infrastructure and other projects of the Company in the PRC. He was an Executive Director of HHL during the period from 1 January 2002 to 25 July 2003.

Ir. Leo Kwok Kee LEUNG

BSc, MSc, DIC, ACIArb, CMILT, FHKIE, FIStructE, FICE

Aged 49 and an Executive Director of the Company since 3 July 2003, he is responsible for the planning, design, engineering and construction of projects within the Company. He is also a director of certain subsidiaries of the Company. He graduated from Imperial College of the University of London with a Master of Science degree with Distinction in Earthquake Engineering and Structural Dynamics in 1991. In 1983, he was also awarded a Bachelor of Science degree with First Class Honours from the Council for National Academic Awards in Civil Engineering as well as the Institution of Civil Engineers' Prize for his outstanding undergraduate performance. He was previously in-charge of the architecture, engineering and construction of all in-house projects for 10 years with HHL from 1993 to 2003. Before joining the Company, he worked in Singapore, Kenya, England and Hong Kong and acquired a wide range of design and construction experiences in highways, bridges, buildings, dam and tunnel structures. He is also an expert in applying slipform and climbform techniques. In 2004, he was further awarded the PRC National Class 1 Registered Structural Engineers qualification. He serves as committee members to a number of Professional Institutions and he was the Chairman of the Hong Kong Branch of The Institution of Highways and Transportation (2006 – 2007).

Mr. Lijia HUANG

Aged 66 and an Executive Director of the Company since 3 July 2003, he is responsible for overseeing the daily operation and management of Guangzhou-Shenzhen Superhighway and is also a director of various subsidiaries of the Company. He joined HHL in 1996 and was responsible for the operations and management of the expressways in Guangdong Province. He was previously the General Manager of Guangdong Provincial Highway Construction Company. During the years from 1961 to 1979, he held senior positions in various commissions in Zhaoqing Municipality of PRC.

Mr. Cheng Hui JIA

Aged 67 and an Executive Director of the Company since 3 July 2003, he is responsible for liaison and project coordination with various PRC government authorities. He was primarily engaged in the development of projects in the PRC during the 18 years with HHL. He was an Assistant to Chairman and China Project Controller. He previously worked in aerospace research in the PRC for many years. He graduated from Harbin Industry University in 1964 with a Bachelor of Science degree.

Mr. Barry Chung Tat MOK

Aged 50, he was appointed an Executive Director of both the Company and HHL in August 2005. He is responsible for overseeing the finance and investor relations functions of the Company. He has a Bachelor Degree in Economics/Accounting from the University of Reading, United Kingdom. He has extensive knowledge in corporate finance and project finance. He was previously the Chief Executive of BOCI Capital Limited.

Mr. Nicholas Tai Keung MAY

Aged 46, joined HHL in April 2007 as Group Financial Controller. He was appointed an Alternate Director (to Mr. Barry Chung Tat MOK) of the Company in May 2008. He is a CPA of CPA Australia and a CPA of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor's Degree in Economics from Macquarie University and a Master's Degree in Commerce from University of New South Wales.

Independent Non-Executive Directors:

Mr. Philip Tsung Cheng FEI

Aged 66, he was appointed an Independent Non-Executive Director of the Company in July 2003 and is also a member of the Audit Committee of the Company. He was awarded a Bachelor of Architectural Engineering degree from Cheng-Kung University in Taiwan in 1962, a Bachelor of Architecture degree from North Carolina State University in 1965 and a Master of Science degree in City Planning from Pratt Institute in the U.S. in 1974. He is currently the managing partner at Fei & Cheng Associates, an architectural and planning firm. He has over 30 years' experience in planning and architectural projects. Prior to establishing Fei & Cheng Associates, he worked for a number of architecture firms in the U.S.

Mr. Lee Yick NAM

Aged 61, he was appointed an Independent Non-Executive Director of the Company in July 2003 and is also an Independent Non-Executive Director of HHL. He is the Chairman of the Audit Committees and a member of the Remuneration Committees of both the Company and HHL. He holds a certificate in management studies from Carnegie Mellon University of the United States in 1977. He has over 30 years' experience in the banking, investment and finance industry. He was an Executive Director of Liu Chong Hing Bank from 1990 to 2001. Prior to that, he was a Vice President at Citibank, Mellon Bank and American Express Bank. He was a member of the Hong Kong Deposit Protection Board from 2004 to 2008 and Chairman of its Investment Committee from 2006 to 2008.

Mr. Kojiro NAKAHARA

Aged 67, he was appointed an Independent Non-Executive Director of the Company in July 2003 and is also a member of the Audit Committee of the Company. He graduated from Tokyo Mercantile Marine University in 1964 with a Bachelor degree in Marine Engineering. He joined Kanematsu Corporation in 1964 and had held various senior positions in Tokyo, Singapore and Hong Kong offices. He was appointed Managing Director of Kanematsu (Hong Kong) Limited in 1996 and retired in 2000.

Dr. Gordon YEN

Aged 38, he was appointed an Independent Non-Executive Director of the Company in July 2003 and is also a member of the Remuneration Committee of the Company. He was awarded a Bachelor of Manufacturing Engineering degree from Boston University, U.S. in 1990, a Master of Business Administration degree from McGill University, Canada in 1992 and a Doctorate degree in Business Administration from The Hong Kong Polytechnic University, Hong Kong in 2005. He is currently an Executive Director of Fountain Set (Holdings) Limited.

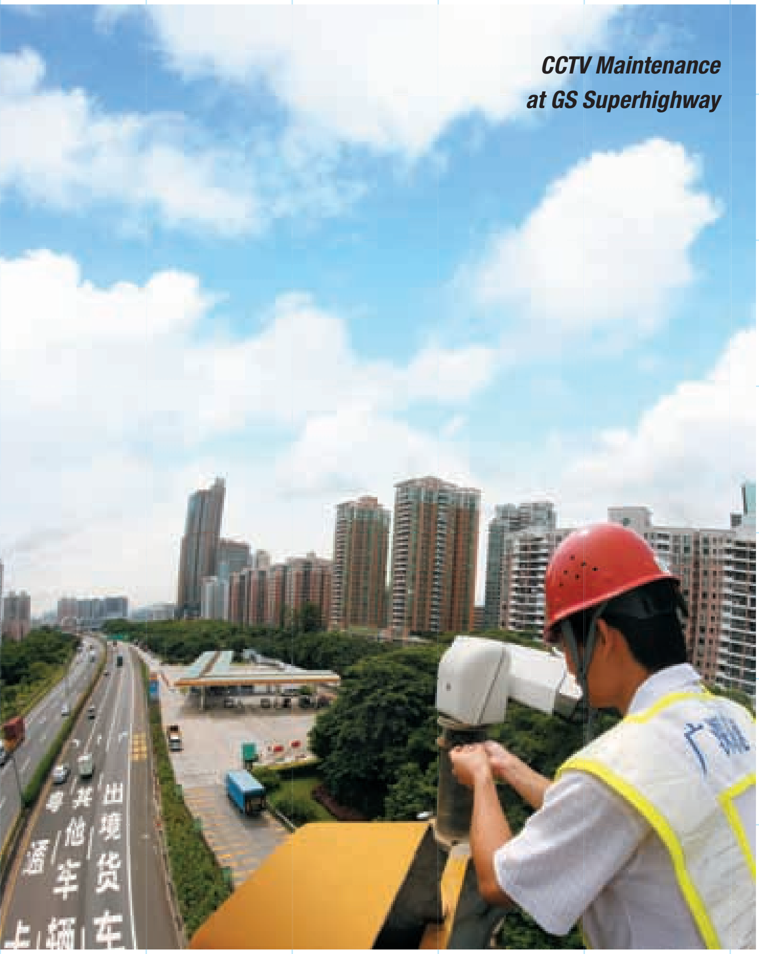
Management Discussion and Analysis

Xi Hai Bridge of Phase II West Under Construction

OPERATIONS REVIEW

During the year under review, the gross domestic product ("GDP") of Guangdong Province continuously recorded a growth of over 10%, despite the challenges posed by uncertainties in the global economy, the macro-economic measures undertaken by the Central Government and the transformation of traditional manufacturing industries to service and high-tech industries in the PRD region. In addition, owing to the continuous improvement and expansion of Guangdong's highway network, the improvement of standard of living and the increase in car ownership in which Guangzhou and Shenzhen each has over one million cars, the passenger and freight transportation as well as logistics industries were greatly boosted, which in turn generated tremendous traffic demand. The Group expects that the importance of GS Superhighway and Phase I West in Guangdong's highway network will be much more prominent, and their traffic and toll revenue will maintain a steady growth.

For the year ended 30 June 2008, the aggregate average daily traffic of GS Superhighway and Phase I West recorded a slight drop of 0.5% to 348,000 vehicles and the aggregate average daily toll revenue decreased 12% to RMB9.12 million. The annual aggregate toll revenue amounted to RMB3,338 million. While GS Superhighway recorded a drop in toll revenue, Phase I West attained a steady growth both in traffic and toll revenue.



CCTV Maintenance at GS Superhighway

Phase I West Traffic Control Centre

In recent years, although the Central Government has imposed stringent approval requirements on land use country-wide, increasing the difficulties and the costs of land acquisition and demolition as well as prolonging the time required for handover of land, the construction of Phase II West has been proceeding and is currently planned to be completed and operational in the financial year 2009/2010. The preliminary work of the application for the project approval of the Phase III West is close to completion. Application to relevant PRC authorities for approval is expected to be made soon. Dependent upon the approval progress, construction of Phase III West is presently planned to commence in 2010 and may take approximately 3 to 4 years to complete.

The Group and our Chairman have committed their efforts to the development of Hong Kong-Zhuhai-Macau Bridge project over the past two decades. Recently, we are pleased to see that the project has won affirmative recognition of the Central Government and various local governments, as well as comprehensive support from the general public. Its pace of construction is going to speed up. The regional highway network will thus be further expanded and improved. Coupled with the cities on the western bank of the PRD region will rapidly develop according to the Outline of the Eleventh Five-Year Plan for the National Economic and Social Development of Guangdong Province, the Group believes that all these will create synergy with the Western Delta Route and it will benefit.

OPERATIONS REVIEW

Non-Stop Electronic Toll Collection System ("ETC")

Facing the pressure of rising labor costs and commodity prices in the PRD region, the Group will continue to adopt effective measures to control the costs and enhance the operating efficiency of the joint venture companies, so as to ensure the competitiveness and quality services of GS Superhighway and Phase I West.

In August 2007, the Group entered into an agreement with the PRC partner of the Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV") for the sale of its entire interest in Ring Road JV at a consideration of RMB1,712.55 million. The transaction was completed in September 2007 and recorded a pre-tax gain on disposal of HK$974 million.

The new PRC Enterprise Income Tax Law (the "New Law") has been effective since 1 January 2008. The tax rate will gradually increase from the current 18% to 25% over five years (20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012) from 1 January 2008. According to the New Law, the joint venture companies of GS Superhighway and Phase I West which currently enjoy preferential Enterprise Income Tax treatment can continue the remaining preferential tax holidays until the respective expiry dates. In addition, effective from 1 January 2008, a 5% withholding tax will be levied on dividends arising from and after 2008, payable by PRC foreign investment companies to their investors registered in Hong Kong.

Guangzhou-Shenzhen Superhighway

PROJECT SUMMARY

Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lane	Total six lanes in dual directions
Class	Expressway
JV Contractual Operation Period	Jul 1997 – Jun 2027
Profit Sharing Ratio	Year 1-10 : 50% Year 11-20 : 48% Year 21-30 : 45%

GS Superhighway is a 122.8 km long expressway, closed system, fully lit with total six lanes in dual directions. Currently, it is the only expressway connecting Guangzhou, Dongguan, Shenzhen and Hong Kong. It is also the major artery in the PRD highway network with connections to Guangzhou Ring Road, Guangzhou Second Ring Road (northern and southern sections), Humen Bridge, Dongguan-Changhu Expressway, Shenzhen-Jihe Expressway, Shenzhen Nanping Expressway and also some major cities, ports and airports in the region.

During the year under review, the average daily traffic of GS Superhighway slightly dropped 1% to 320,000 vehicles compared to last year, while its average daily toll revenue decreased 13% to RMB8.71 million. The annual toll revenue amounted to RMB3,189 million.

The drop in toll revenue of GS Superhighway is partly attributable to the unusual snowstorm occurring in the peak traffic period around the Chinese New Year in early 2008, which seriously affected most of the highways connecting Guangdong Province and other provinces. Also, at the request of the Central Government to put rising food prices under control, Guangdong Province implemented Green Lane policy temporarily in 2008 to exempt tolls for vehicles carrying fresh or live agricultural products on some major expressways (including GS Superhighway). In addition, the road network in Shenzhen has changed. Moreover, the South and North bound lanes of Xintang to Dongguan section of GS Superhighway were temporarily closed and related traffic was diverted in the periods from 18 October 2007 to 10 January 2008 and 18 February 2008 to 9 July 2008 respectively for maintenance and improvement works. During these periods, the average daily toll revenue decreased 21% or RMB2.2 million as compared to last year. Although the daily toll revenue decreased significantly during the periods, the daily traffic only fell about 7% or 22,000 vehicles as most of the diverted vehicles returned to GS Superhighway after bypassing the closed section, reflecting GS Superhighway's importance in the highway network of Guangdong Province.

As planned, the maintenance and improvement works were completed and the affected section has been re-opened to traffic since 9 July 2008. The average daily traffic and toll revenue have gradually rebounded to the level comparable to that of last year. The Group believes that such works will be beneficial to the operations of GS Superhighway in the long run.

The Group and the joint venture company have always put great emphasis on traffic safety and have been using ample resources to upgrade and enhance the safety and service facilities in GS Superhighway over the years, aiming at providing users with a safe, comfortable and speedy expressway. In July 2008, together with the joint venture company, the Group co-organized a provincial-wide large-scale traffic safety promotion campaign with the Traffic Management Department of Guangdong Provincial Public Security Bureau ("Traffic Police Department"). Over 100,000 volumes of Chinese literature «Analects of Confucius» inserted with traffic safety rules were distributed to the social public free of charge. Not only did the campaign achieve traffic safety education purpose, but also promoted the traditional Chinese culture.

During the year under review, the joint venture company installed additional electronic changeable message signboards and traffic surveillance cameras along the main alignment and at some toll plazas. Some busy entry and exit ramps were also installed with flashing road stubs to alert drivers and all of the patrol and rescue vehicles were equipped with Global Positioning System ("GPS"). Currently, the joint venture company is cooperating with the Traffic Police Department to install and implement an intelligent traffic management system, the first and the pioneer in Guangdong's expressways, to strengthen the traffic surveillance capabilities of GS Superhighway, enhance the efficiency of rescue response and accident handling and also minimize the congestion and casualties losses caused by traffic accidents.

In order to increase the traffic throughput of some busy toll plazas, the joint venture company expanded the toll plazas of Fuyong, Xinqiao, Dongguan and Huocun. In addition, in view of the increasing popularity of the unitoll system and the non-stop electronic toll collection system ("ETC"), a total of 29 exit lanes were equipped with ETC, the highest in any expressway in Guangdong Province. Besides, automatic car plate identification system has gradually been installed at some entry lanes. Currently, a feasibility study on using automatic entry card issuing system at entry lanes is actively pursued. The joint venture company is committed to apply advanced technologies and equipment to enhance the toll collection efficiency and increase the traffic throughput of toll plazas. Meanwhile, in response to the environmental protection and energy-saving goals set out by the Central Government, the road lamps along GS Superhighway will soon be replaced with advanced energy-saving ones.

The joint venture company will continue to strengthen the inspection and maintenance works of GS Superhighway's road surface, bridges and structures so as to prolong its usable life and maintenance cycles, contributing long-term benefits to the Group.

Pursuant to the joint venture agreement, the Group's profit sharing ratio in the joint venture company has been adjusted from 50% to 48% since 1 July 2007. Further, in respect of the additional investment made by the Group during the construction of GS Superhighway, the joint venture company paid RMB725.14 million to a subsidiary of the Company in January 2008.

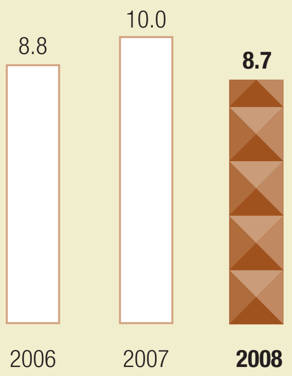
In contrast to the uncertainties in global economy, the macro-economic control undertaken by the Central Government and a change in road network in Shenzhen, the economy of Guangdong remains robust and continues to grow, the highway network of Guangdong continues to improve and expand, and the car ownership keeps on increasing. All these positively contribute to the further development of passenger and freight transportation as well as logistics industries in Guangdong. The Group believes that the traffic and toll revenue of GS Superhighway can maintain stable growth.

To meet the increasing traffic demand, the Group, the PRC partner and the joint venture company have actively been pursuing the feasibility study on widening GS Superhighway to an expressway with total ten lanes in dual directions. The study is almost completed and is highly regarded by the relevant authorities. Application to the relevant authorities for approval will soon be made.

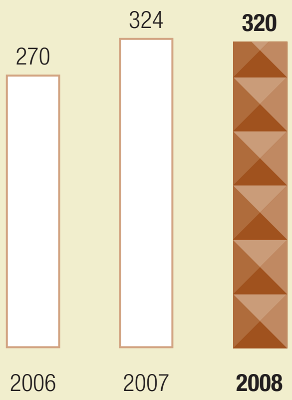
As to the construction of Guangzhou-Shenzhen Coastal Expressway reported by the media, the Group will continue to monitor its development. The Group believes that, with the strategic location of GS Superhighway and its connection to the regional highway network well established over the past decade, GS Superhighway will continue to be the main artery within the region.

GS Superhighway Joint Venture

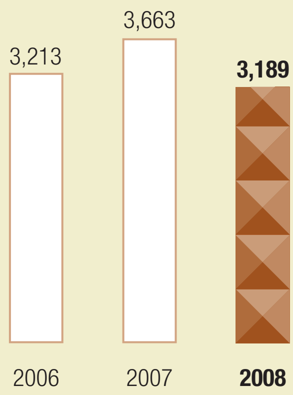
Average Daily Toll Revenue
(RMB million)



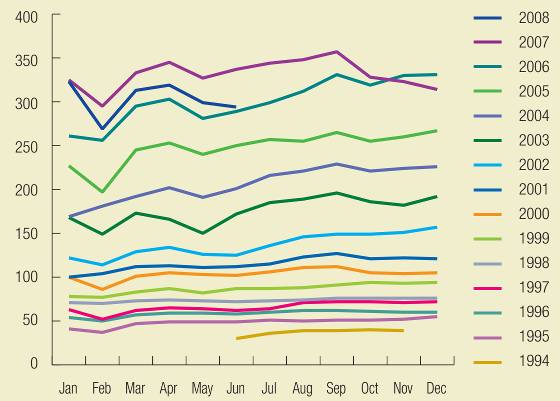
Average Daily Traffic
(No. of vehicles in thousand)



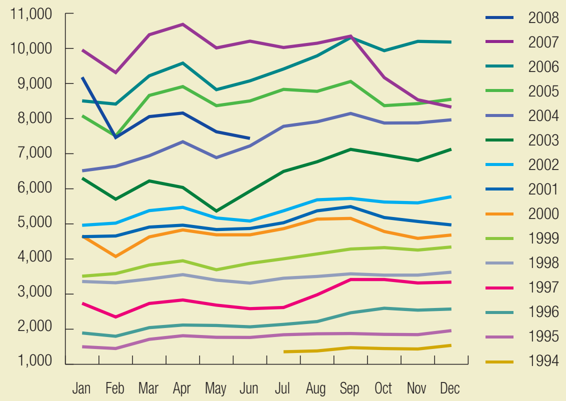
Annual Toll Revenue
(RMB million)



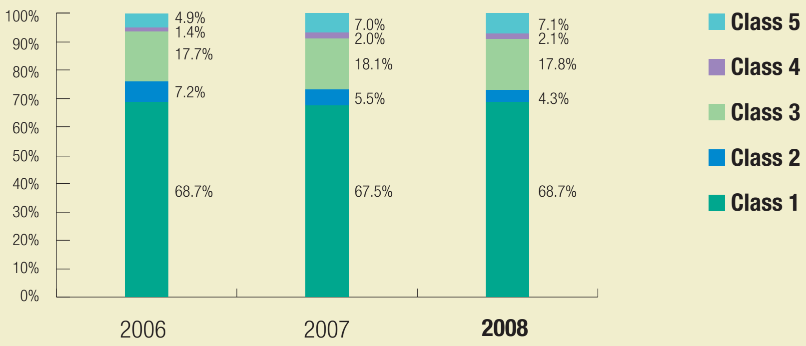
Average Daily Traffic
(No. of vehicles in thousand)



Average Daily Toll Revenue
(RMB thousand)



Traffic by Class of Vehicles



Phase I of the Western Delta Route

PROJECT SUMMARY

Location	Guangzhou to Shunde, Guangdong, PRC
Length	14.7 km
Lane	Total six lanes in dual directions
Class	Expressway
JV Contractual Operation Period	Sep 2003 – Sep 2033
Profit Sharing Ratio	50%

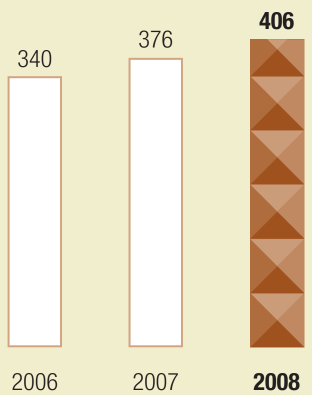
Phase I West is the first phase of the Western Delta Route which is planned to be constructed in three phases. Phase I West commenced operation in April 2004. It is a 14.7 km long expressway, closed system with total six lanes in dual directions, connecting to Guangzhou Ring Road in the north, and National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

During the year under review, as the traffic diversion from Phase I West caused by a parallel-run local toll-free road in Foshan had stabilized and as Guangzhou Ring Road has become toll-free since mid September 2007, Phase I West's traffic and toll revenue have resumed significant growth momentum. Over the financial year, its average daily traffic increased 10% to 28,000 vehicles and average daily toll revenue rose 8% to RMB406,000. The annual toll revenue amounted to RMB149 million.

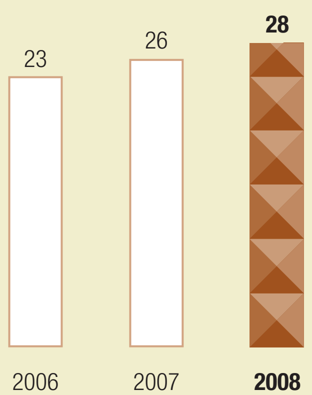
According to the highway network planning of Foshan, several highways will be connecting to Phase I West, including Foshan First Ring Road extension link, Pingzhou-Danzao Expressway and Pingzhou-Nansha Expressway in Nanhai as well as Guangzhou-Gaoming Expressway, all of which are expected to drive the growth of traffic and toll revenue of Phase I West.

Phase I West Joint Venture

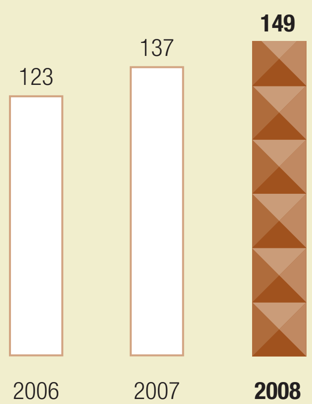
Average Daily Toll Revenue
(RMB thousand)



Average Daily Traffic
(No. of vehicles in thousand)

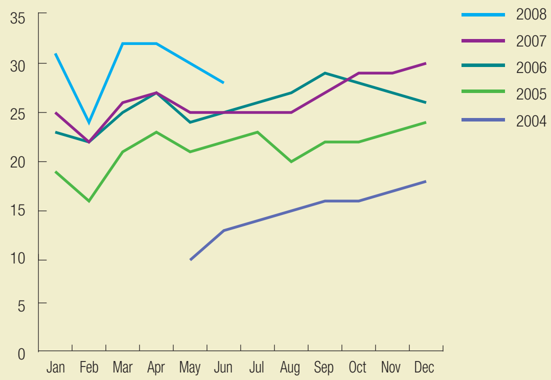


Annual Toll Revenue
(RMB million)

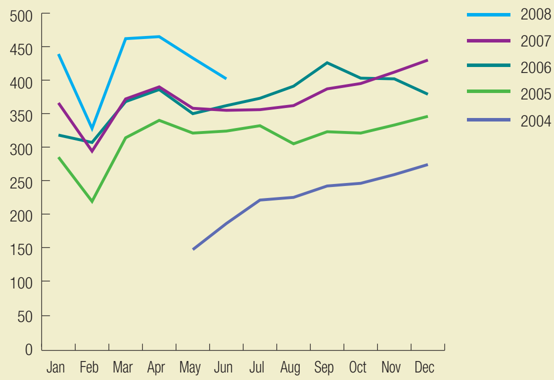


Phase I West Joint Venture

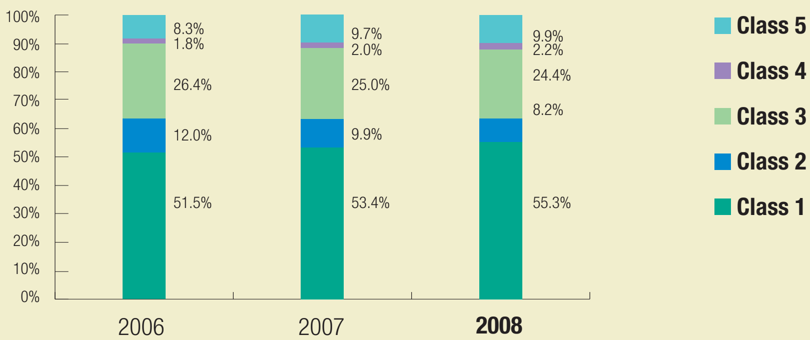
Average Daily Traffic
(No. of vehicles in thousand)



Average Daily Toll Revenue
(RMB thousand)



Traffic by Class of Vehicles



Phase II of the Western Delta Route

PROJECT SUMMARY

Location	Shunde to Zhongshan, Guangdong, PRC
Length	Approx. 46 km
Lane	Total six lanes in dual directions
Class	Expressway
JV Contractual Operation Period	Apr 2007 – Sep 2038
Profit Sharing Ratio	50%

Phase II West is a 46 km long expressway, closed system with total six lanes in dual directions, starting in the north from the Shunde end of Phase I West and extending southwards to Zhongshan connecting to the National Highway 105 and the proposed western expressway of Zhongshan. Upon completion, it will be the only expressway linking Guangzhou to the central area of Zhongshan.

In recent years, although the Central Government has imposed stringent approval requirements on land use country-wide, increasing the difficulties and the costs of land acquisition and demolition, as well as prolonging the time required for handover of land, the construction of Phase II West has been proceeding and is currently planned to be completed and operational in the financial year 2009/2010.

As a result of the stringent control policies on land use and inflation, the costs of land, construction materials, interest etc. have been rising. The investment budget of the project compiled in 2004 needs to be adjusted from the original planned amount of RMB4,900 million (excluding loan interest during construction) to RMB7,200 million (including loan interest during construction). The Group therefore entered into a revised joint venture agreement for the 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 registered capital for the project by approximately RMB402.5 million. Details of the transaction can be referred to the joint announcement made by the Group and HHL dated 2 September 2008.

Phase III of the Western Delta Route

PROJECT SUMMARY

Location	Zhongshan to Zhuhai, Guangdong, PRC
Length	Approx. 38 km
Lane	Total six lanes in dual directions
Class	Expressway
JV Contractual Operation Period	Subject to the approval of the relevant PRC authorities
Profit Sharing Ratio	Proposed 50%

Phase III West is a 38 km long expressway, closed system with total six lanes in dual directions, starting in the north from the Zhongshan end of Phase II West and extending southwards to connect to the highway network in Zhuhai.

As Phase III West is located at the populous and fast growing cities on the western bank of the PRD region, in order to fit in the city and transportation development 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 have been revised, including increasing tunnel distance from 2.5 km to 5.1 km which costs are much higher. In addition, as a result of the stringent control policies on land use and inflation, the costs of land, construction materials, interest etc. have increased. The investment budget of the project has to be 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 in Phase II West, the Group entered into a revised joint venture agreement for the investment in, construction and operation of the Phase III West with its PRC partner (also the same PRC partner of Phase I West and Phase II West) on 2 September 2008 to increase the Group's share of registered capital by approximately RMB409.5 million. Details of the transaction can be referred to the joint announcement made by the Group and HHL dated 2 September 2008.

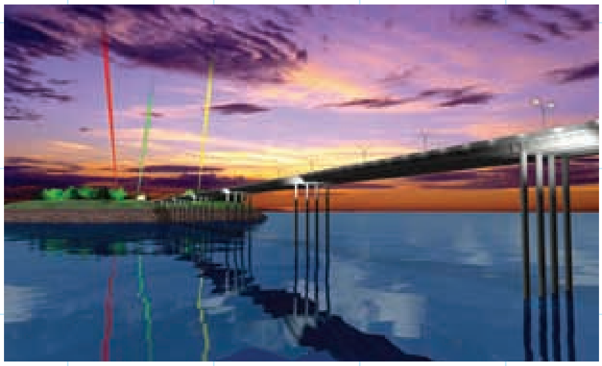
The preliminary work of the application for the project approval of Phase III West is close to completion and application to relevant authorities for approval is expected to be made soon. It is currently planned to commence construction of Phase III West in 2010 with completion in approximately 3 to 4 years.

The Group will endeavor to expedite the construction of Phase II West and Phase III West and complete them as planned. It is expected that, upon the completion of the entire Western Delta Route, it will link up various major cities including Guangzhou, Foshan, Zhongshan and Zhuhai and lead to Macau, and will become a strategic expressway on the western bank of the PRD region. With the reported accelerated construction plan of the Hong Kong-Zhuhai-Macau Bridge project, the regional highway network will be further expanded and improved. Besides, according to the Outline of the Eleventh Five-Year Plan for the National Economic and Social Development in Guangdong Province, urbanization, economy and transportation on the western bank of the PRD region will rapidly develop. The Group believes that all these will create synergy with the Western Delta Route which traffic and toll revenue will grow steadily in future.

Hong Kong-Zhuhai-Macau Bridge Project

The Group and our Chairman have committed their efforts to the development of Hong Kong-Zhuhai-Macau Bridge project over the past two decades. Recently, we are pleased to see that the project has won affirmative recognition of the Central Government and various local governments, as well as comprehensive support from the general public. Its pace of construction is going to speed up. This reflects the excellent vision of our Chairman and the Group under his leadership. As reported by the media, the Hong Kong-Zhuhai-Macau Bridge project is planned to commence construction at the earliest in 2010 and to be completed 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 of Guangdong, Hong Kong and Macau, but also actively contribute to the economic development of the western bank of the PRD region, in addition to expand and improve the regional highway network.



Others

Employees and Remuneration Policies

As at 30 June 2008, the Group employed 32 employees while the joint venture companies employed approximately 2,666 employees. We offer competitive remuneration packages to employees based on the prevailing market practices and individual performances. The Group also adopted share option scheme and share award scheme for the purposes of recognizing contributions by, and giving incentives to, the employees. Details of the schemes are set out in the Report of the Directors. In addition, discretionary bonuses may be granted to employees based on individual performance as well as the performance of the Group. The Group also provides medical coverage to all staff members and Group Personal Protector to senior staff members. During the year, various staff events, such as Annual Dinner, Staff Appreciation Lunch, Bowling Night and staff recreation and sports events, were organized to build closer relationship across levels within the organization.

On top of offering competitive remuneration packages, the Group also invests in human capital development. Training programs for improving employee productivity were conducted in the past year on an ongoing basis.

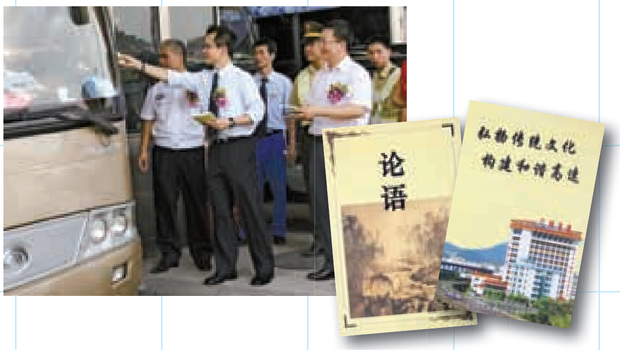
They included elementary and intermediate Putonghua Courses which aimed at enhancing the communication skills with the Mainland staff, Red Cross First Aid Course which aimed at increasing safety awareness and accident prevention in the Group and ICAC talk which aimed at corruption prevention. The Group has also organized some seminars to enhance the staff's mental quality and self development, topics such as "Choosing Happiness", "Smart Tips for Time Management", "Group Brainstorming" and "MPF Knowledge". In 2008, an 18-month Management Trainee Program has been launched which intended to train and develop a team of young and energetic trainees to cope with the Group's business growth in a conglomerate environment.

Community Relations

The Group has been playing an active role in supporting community growth. During the year, the Group supported a series of arts, sports, community, traffic safety and disaster relief initiatives. These include our sponsorship and participation in the Dress Special Day, Walk for Millions and Sports Corporate Challenge organized by the Community Chest, Olympic Day Run, MTR Race Walking, as well as our sponsorship of the Hong Kong Arts Festival and the Hong Kong Art School Hopewell Library. The Group has also made donations to charitable organizations such as the Hong Kong Red Cross in support of Sichuan earthquake relief actions.

As mentioned earlier on, the Group has always put great emphasis on traffic safety. In the traffic safety promotion campaign jointly organized with the Traffic Management Department of Guangdong Provincial Public Security Bureau in July 2008, over 100,000 volumes of Chinese literature《Analects of Confucius》inserted with traffic safety rules were distributed to the public free of charge.

In early 2008, the Group was awarded the Caring Company Logo 2007/08 by the Hong Kong Council of Social Service in recognition of the Group's community involvement and commitment to good corporate citizenship.



Financial Review

Group Results

For the financial year ended 30 June 2008, the net toll revenue of all expressways proportionately shared by the Group decreased 15% to HK$1,717 million from HK$2,026 million of the last corresponding year, mainly attributable to the disposal of the entire 45% interest of the Group in Ring Road JV in September 2007, the adjustment of the profit sharing ratio in the Group's joint venture company, GS Superhighway JV from 50% to 48% since 1 July 2007 pursuant to the joint venture agreement and the planned temporary closure of the main alignments of the South and North bounds of the section between Xintang to Dongguan of GS Superhighway for maintenance and improvement works during the periods from 18 October 2007 to 10 January 2008 and 18 February 2008 to 9 July 2008 respectively. Of the total net toll revenue of the Group, GS Superhighway contributed 93% or HK$1,594 million, whereas Phase I West and ESW Ring Road contributed 4% or HK$78 million and 3% or HK$45 million respectively.

The Group's proportionately shared net toll revenue of all of its expressways in the PRC is set out as follows:

	Year ended 30 June	
	2007 HK$ million	**2008** **HK$ million**
GS Superhighway	1,777	**1,594**
Phase I West	66	**78**
ESW Ring Road	183	**45**
	2,026	**1,717**

Total toll operation expenses and general and administrative expenses increased 23% to HK$297 million from HK$241 million during the financial year ended 30 June 2008. Despite facing the pressure of rising labour cost and commodity prices in the PRD region, the Group has taken effective measures to control the cost and enhance the operating efficiency of the joint venture companies.

Depreciation and amortisation charges decreased 7% to HK$355 million from HK$381 million, mainly attributable to the disposal of the entire 45% interest of the Group in Ring Road JV in September 2007.

On 16 March 2007, the PRC promulgated the New Law by Order No. 63 of the President of the PRC which became effective on 1 January 2008. The tax rate for the Group's PRC joint venture companies will 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, 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 unutilised tax holidays until their respective expiry dates. The deferred tax for the year has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled. In addition, effective from 1 January 2008, a 5% withholding tax will be levied on dividends arising from and after 2008, payable by PRC joint venture companies to the Group.

The profit attributable to equity holders of the Company increased 48% to HK$1,997 million from HK$1,349 million of the last corresponding year, mainly due to the disposal of its entire 45% interest in the Ring Road JV to the PRC joint venture partner for a consideration of RMB1,712.55 million, resulting in a pretax gain of HK$974 million and the appreciation of Renminbi, including an exchange gain of HK$439 million mainly arising on retranslation of the United States dollar and Hong Kong dollar bank loans representing 70% of the Group's proportionately shared loans as at 30 June 2008 borrowed by a PRC joint venture company of the Group.

Liquidity and Financial Resources

The Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to equity holders of the Company) were 29% (2007: 33%) and nil (2007: 13%) respectively. The gearing structure is set out below:

	At 30 June	
	2007 HK$ million	**2008** **HK$ million**
Total debt	5,818	**5,071**
Net debt (Note)	1,470	**0**
Total assets	17,425	**17,578**
Equity attributable to equity holders of the Company	10,895	**11,686**
Total debt/Total assets	33%	**29%**
Net debt/Equity attributable to equity holders of the Company	13%	**0%**

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 dividend 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 years ended 30 June 2008, 2007 and 2006 respectively. The net cash inflow for the year ended 30 June 2008 of HK$2,093 million included an amount of HK$1,634 million (after taxation) from the disposal of the Group's entire 45% interest in Ring Road JV. In addition, the additional investment of the Group incurred during the construction of GS Superhighway amounted to HK$713 million (after taxation) had been received from GS Superhighway JV in January 2008.

At 30 June 2008, the bank and other borrowings of the joint venture companies proportionately shared by the Group amounted to HK$4,711 million (2007: HK$5,215 million) with the following profile:

(a) 99.9% (2007: 99.9%) was bank loans and 0.1% (2007: 0.1%) was other loan; and

(b) 63% (2007: 61%) was denominated in United States dollar, 30% (2007: 29%) was denominated in Renminbi and 7% (2007: 10%) was denominated in Hong Kong dollar.

The net current assets of the Group increased 43% from HK$3,902 million at 30 June 2007 to HK$5,666 million at 30 June 2008.

Financial Review

In October 2005, the Group obtained a 5-year syndicated unsecured bank revolving credit and term loan facility of HK$3,600 million and the facility was undrawn at 30 June 2007 and 2008.

At 30 June 2008, the bank balances and cash of the Group and of the joint venture companies proportionately shared by the Group amounted to HK$5,997 million (2007: HK$3,904 million) and HK$240 million (2007: HK$444 million) respectively. The bank balances and cash of the Group together with the undrawn facility amounted to HK$9,597 million (2007: HK$7,504 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$614 million and HK$1,048 million for the years ended 30 June 2008 and 2007 respectively), the Group's funding capabilities have been further strengthened for the planned and potential investment opportunities.

Since listing on The Stock Exchange of Hong Kong Limited in August 2003, the Company's has maintained a target dividend payout ratio of 75% or above.

Debt Maturity Profile

The maturity profile of bank and other borrowings of the joint venture companies proportionately shared by the Group as at 30 June 2008 as compared to that at 30 June 2007 is shown as follows:

	At 30 June	
	2007	**2008**
Repayable within 1 year	4%	**6%**
Repayable between 1 to 5 years	25%	**26%**
Repayable beyond 5 years	71%	**68%**

Other than the above, the Group has no other corporate bank borrowings both at 30 June 2007 and 2008. All the bank borrowings of the joint venture companies are 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 Untied 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.

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 minimise the cost of funding and enhance the return on financial assets. Its cash is generally placed in short-term deposits denominated mainly in Hong Kong dollar and United States dollar.

Capital Commitments

During the year ended 30 June 2008, the Group had made capital contribution to West Route JV for development of the Phase II West amounting to RMB587 million. At 30 June 2008, the Group had outstanding commitments to make capital contribution (the total capital being 35% of the total investment amounted to RMB4,900 million) to West Route JV of RMB96 million (2007: RMB683 million).

At 30 June 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 RMB3,260 million) to West Route JV for development of the Phase III West of RMB570.5 million (2007: RMB570.5 million).

Subsequent to the balance sheet date, the Group entered into amendment agreements with West Route JV PRC partner. On 2 September 2008, the Group entered into amendment agreements in relation to Phase III West with the West Route JV PRC partner, subject to the approval of the shareholders of the Company and Hopewell Holdings Limited and the relevant PRC authorities, to adjust the total investment for Phase III West to RMB5,600 million, instead of RMB3,260 million as contemplated under the 2005 Phase III Amendment Agreements (the "2008 Phase III Amendment Agreements", which effectively replaced the 2005 Phase III Amendment Agreements). 35% of the adjusted total investment will be funded by an increase in the registered capital West Route JV by RMB1,960 million to be contributed by the Group and the West Route JV PRC partner in equal share. The adjusted 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 entered into amendment agreements in relation to Phase II West with the West Route JV PRC partner, subject to the approval of the shareholders of the Company and Hopewell Holdings Limited and the relevant PRC authorities, to increase the total investment for Phase II West by RMB2,300 million to RMB7,200 million. 35% of the increase in total investment will be funded by an increase in the registered capital of West Route JV by RMB805 million to be contributed by the Group and the West Route JV PRC partner in equal share. The additional 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.

The above details are contained in the joint announcement of the Company and Hopewell Holdings Limited dated 2 September 2008.

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. In addition, the Group is currently planned to make additional capital contribution for Phase II West before the end of 30 June 2010.

At 30 June 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$1,658 million (2007: HK$1,426 million for GS Superhighway JV, Ring Road JV and West Route JV).

Pledge of Assets

At 30 June 2008, certain assets of the joint venture companies of the Group were pledged to banks to secure general banking facilities granted to the joint venture companies. The carrying amounts of these assets are analysed as follows:

	At 30 June	
	2007 HK$ million	**2008** **HK$ million**
Toll expressways	6,973	**7,136**
Prepaid lease payments	85	**90**
Bank balances and deposits	393	**235**
Other assets	231	**374**
	7,682	**7,835**

At 30 June 2007, the toll collection right of GS Superhighway JV, 65% of the toll collection right of Phase I West and 90% of the toll collection right of Ring Road JV were pledged to banks to secure general banking facilities granted to the respective joint venture company. At 30 June 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 30 June 2008, there were no material contingent liabilities for the Group since 30 June 2007.

Material Acquisition or Disposal

During the year ended 30 June 2008, the Group entered into an agreement with the Ring Road JV PRC partner to dispose of the entire 45% interest of the Group and other rights, duties and obligations in Ring Road JV for a consideration of RMB1,712.55 million.

Other than the above, there was no material acquisition or disposal of the Company's subsidiaries or associated companies during the year.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board of Directors (the "Board") that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the Code on Corporate Governance Practices (the "CG-Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Throughout the year ended 30 June 2008, the Company has complied with all code provisions set out in the CG-Code.

Board of Directors

The Company is managed through the Board which currently comprises of eight Executive Directors (including the Chairman) and one Alternate Director and four Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 10 to 13 of this Annual Report.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Managing Director.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

Sir Gordon Ying Sheung WU served as Chairman of the Board throughout the year and is responsible for providing leadership and management of the Board. The role of the Chairman is separated from that of the Managing Director. Mr. Thomas Jefferson WU (the son of Sir Gordon Ying Sheung WU), Managing Director, is responsible for the day-to-day management of the business of the Company. The division of the responsibilities between the Chairman and the Managing Director has been established and clearly set out in writing.

Independent Non-Executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgement. At least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-Executive Director a written annual confirmation of independence. All the Independent Non-Executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

In accordance with the Company's Articles of Association, all newly appointed Directors shall hold office until the next following general meeting of the Company after their appointment and shall then be eligible for re-election. Every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his (i) last appointment by the Board, (ii) last election or (iii) last re-election, and shall be eligible for re-election subject to the provisions of the Articles of Association. All Independent Non-Executive Directors are appointed for a specific term of three years and are subject to retirement from office and re-election at least once every three years.

The Board regularly reviews the plans for orderly succession for appointments to the Board and its structure, size and composition. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-Executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director will normally be made by the Chairman and/or Managing Director and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s). During the year, Mr. Yuk Keung IP was appointed an Independent Non-Executive Director of the Company on 13 August 2007. Due to other business commitments, Mr. IP resigned from the board of the Company on 29 February 2008. On 7 May 2008, Mr. Nicholas Tai Keung MAY was appointed as Alternate Director to Mr. Barry Chung Tat MOK, Executive Director of the Company. Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws.

The Company has arranged appropriate insurance cover in respect of legal action against the Directors and officers.

Board Committees

The Board has established a Committee of Executive Directors in September 2004 with delegated authority for reviewing and approving the day to day business operations and ordinary and usual course of business of the Company. This committee comprises all the Executive Directors of the Company.

The Company has also established the Audit Committee and the Remuneration Committee to deal with the following specific matters in the interest of all shareholders in an objective manner. Members of these two Board Committees comprise, except for the Chairman of the Remuneration Committee, entirely of Independent Non-Executive Directors.

	Audit Committee	*Remuneration Committee*
Committee Members	Mr. Lee Yick NAM* (Chairman) Mr. Philip Tsung Cheng FEI* Mr. Kojiro NAKAHARA* Mr. Yuk Keung IP* (Appointed on 13 August 2007, resigned on 29 February 2008)	Mr. Eddie Ping Chang HO# (Chairman) Mr. Lee Yick NAM* Dr. Gordon YEN*
Major responsibilities and functions	• Consider the appointment and independence of external auditors. • Review and supervise the Group's financial reporting process, internal control and compliance. • Review and monitor the interim and annual financial statements before submission to the Board.	• Assist the Board for development and administration of the policy and procedure on the remuneration of the Directors and senior management of the Company.
Work performed during the year	• Considered and approved the terms of engagement of the external auditors including audit fee. • Reviewed the annual financial statements for the year ended 30 June 2007 and the interim financial statements for the six months ended 31 December 2007. • Reviewed the work performed by the Internal Audit Department and the Group's internal control system.	• Reviewed and make recommendations to the Board on bonuses. • Reviewed the level of Directors' fees for the year.

 # Executive Director
** Independent Non-Executive Director*

Attendance at Meetings

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings and Annual General Meeting are as follows:

	Number of meetings attended / held			
	Board Meetings	***Audit Committee Meetings***	***Remuneration Committee Meetings***	***Annual General Meeting***
Number of meetings held	4	2	3	1
Executive Directors				
Sir Gordon Ying Sheung WU GBS, KCMG, FICE *(Chairman)*	4 out of 4	N/A	N/A	1 out of 1
Mr. Eddie Ping Chang HO *(Remuneration Committee Chairman)*	4 out of 4	N/A	3 out of 3	1 out of 1
Mr. Thomas Jefferson WU	3 out of 4	N/A	N/A	1 out of 1
Mr. Alan Chi Hung CHAN	4 out of 4	N/A	N/A	1 out of 1
Ir. Leo Kwok Kee LEUNG	4 out of 4	N/A	N/A	1 out of 1
Mr. Lijia HUANG	4 out of 4	N/A	N/A	0 out of 1
Mr. Cheng Hui JIA	4 out of 4	N/A	N/A	1 out of 1
Mr. Barry Chung Tat MOK	4 out of 4	N/A	N/A	1 out of 1
Mr. Nicholas Tai Keung MAY	*Note*	N/A	N/A	*Note*
Independent Non-Executive Directors				
Mr. Philip Tsung Cheng FEI	4 out of 4	2 out of 2	N/A	1 out of 1
Mr. Kojiro NAKAHARA	4 out of 4	2 out of 2	N/A	1 out of 1
Mr. Lee Yick NAM *(Audit Committee Chairman)*	4 out of 4	2 out of 2	3 out of 3	1 out of 1
Dr. Gordon YEN	4 out of 4	N/A	3 out of 3	0 out of 1
Mr. Yuk Keung IP *(Appointed on 13 August 2007, resigned on 29 February 2008)*	3 out of 3	2 out of 2	N/A	1 out of 1

Note: Mr. Nicholas Tai Keung MAY did not attend the Board Meetings and the Annual General Meeting held during the year in the capacity as Alternate Director to Mr. Barry Chung Tat MOK, who had attended all the said Meetings himself.

Remuneration Policy

The Company recognizes the need to implement a competitive remuneration policy in order to attract, retain and motivate the Directors and senior management to achieve the corporate targets. The remuneration package of the Executive Directors comprises of some fixed elements: basic salary, provident fund contribution and other benefits including insurance cover, as well as bonus, share options and share awards which are performance related elements. No Director is allowed to approve his own remuneration.

The fixed elements of the Executive Directors' remuneration are reviewed annually and will take into account the job nature, responsibilities, experience and performance of the individual as well as prevailing market salary practices. Directors' fees for the current financial year had been approved by the shareholders at the last Annual General Meeting of the Company held on 4 October 2007.

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 of the Listing Rules as its model code for securities transactions by the Company's Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on the specific enquiry made, all Directors have confirmed that they have complied fully with the Model Code throughout the year.

Financial Reporting

The Directors recognize their responsibilities for preparing the financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The responsibilities of the auditors with respect to the financial reporting are set out in the Independent Auditor's Report on page 48 of this Annual Report.

External Auditors

The Company's external auditor is Deloitte Touche Tohmatsu. They are responsible for auditing and forming an independent opinion on the annual financial statements. The independence of the external auditor is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement including their fees. Apart from the statutory audit of the annual financial statements, Deloitte Touche Tohmatsu was also engaged to perform a review on the interim financial statements of the Company for the six months ended 31 December 2007 as well as advising on tax compliance and related matters.

Further, pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions with Guangdong Nan Yue Logistics Company Limited as set out under the section headed "Connected Transactions" in the Report of the Directors. The auditor has reported to the Board of Directors that (i) the Material Logistics Services (as defined under the section headed "Connected Transactions" in the Report of the Directors) transactions have received the approval of the Board of Directors of the Company, (ii) the amount of the Material Logistics Services fee for the year ended 30 June 2008 did not exceed the cap of RMB22 million per annum as disclosed in the joint announcement dated 1 June 2007 made by the Company and HHL, and (iii) the samples amounts of the Material Logistics Services fee that the auditors selected are calculated in accordance with the management agreement governing the connected transactions.

During the year ended 30 June 2008, the fees payable by the Group to the external auditors in respect of audit and non-audit services (including the amount payable by the jointly controlled entities proportionately shared by the Group) were as follows:

	HK$'000
Audit services	2,086
Non-audit services:	
Taxation and advisory services	40
Others	388
	2,514

Internal Controls

The Board is of the opinion that a sound internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations and will assist the Board in the management of any failure to achieve business objective.

The Group's internal control procedures include a comprehensive system for reporting information to the division head of each business unit and the Executive Directors.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the Executive Directors. Plans and budgets are reviewed on a quarterly basis to measure actual performance against the budget. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Different guidelines and procedures have been established for the approval and control of operating expenditures, capital expenditures and the unbudgeted expenditures and acquisitions.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each unit and hold periodical meetings with the senior management of each business unit and the finance team to review these reports, discuss business performance against budgets, forecasts and market conditions, and to address accounting and finance related matters.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. Evaluation of the Group's internal control is independently conducted by the Internal Audit Department on an on-going basis. Internal Audit Department reports to the Audit Committee at least twice every year on significant findings on internal controls.

For the year under review, the Board has through the Audit Committee reviewed the effectiveness of the Group's internal control system.

Investor Relations

Effective communication with investors and shareholders is very important as this will help them better understand the Company's operations and future prospects. As such, the Company places a high priority in investor relations. Corporate Information is disseminated in strict compliance with relevant requirements, timely and accurately through different channels. These include interim and annual reports, company announcement and press release, which are available on the Company's website www.hopewellhighway.com. During the year under review, the Company held regular meetings and teleconferences with investors and analysts, in order to strengthen their understandings on the Company's businesses. Moreover, through active participation in various investment conferences, investors could meet with the Company's senior management to exchange ideas and gain a more thorough understanding on the Company's latest development.

The Company's website is an important platform for investor relations development. Monthly traffic and toll revenue statistics of the Company's toll road projects are available on the website promptly and accurately. Besides company announcement, press release, interim and annual reports, information on the Company's toll road projects and results presentation are also available on the Company's website.

Investor relations will continue to be emphasized given that a proactive dialogue with the investment community will keep investors and shareholders abreast of the Company's latest development. Such effective communication will enable the Company to create better values for its shareholders.

Report of the Directors

The Directors have pleasure in presenting their annual report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30 June 2008.

Principal Activities

The principal activity of the Group is to initiate, promote, develop and operate strategically important roads, tunnels, bridges and related infrastructure projects in the PRC through its jointly controlled entities established in the PRC. The principal activity of the Company is investment holding.

Results

The results of the Group for the year ended 30 June 2008 are set out in the Consolidated Income Statement on page 49.

Dividends

The Directors recommend the payment of a final dividend of HK13 cents (2007: HK 20 cents) per share and a special final dividend of HK28 cents (2007: Nil). Together with the interim dividend of HK17 cents (2007: HK15 cents) and the special interim dividend of HK7 cents (2007: Nil) per share paid on 26 March 2008, total dividends for the year will be HK65 cents (2007: HK35 cents) per share.

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Operations Review" as set out on pages 16 to 27.

Share Capital

Particulars of share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

Reserves

Movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity and note 24 to the consolidated financial statements.

Fixed Assets

Movements in property and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Major Customers and Suppliers

The principal business of the Group is to initiate, promote, develop and operate strategically important roads, tunnels, bridges and related infrastructure projects in the PRC. There are no major customers and suppliers in view of the nature of the Group's business.

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.

Directors and Senior Management

The Directors of the Company and their profiles as at the date of this report are listed on pages 10 to 13 of the annual report. Changes during the year and up to the date of this report are as follows:

Mr. Yuk Keung IP	(appointed on 13 August 2007, resigned on 29 February 2008)
Mr. Nicholas Tai Keung MAY (Alternate to Mr. Barry Chung Tat MOK)	(appointed on 7 May 2008)

In accordance with the Company's Articles of Association, Ir. Leo Kwok Kee LEUNG, Mr. Lijia HUANG, Mr. Cheng Hui JIA, Mr. Barry Chung Tat MOK and Mr. Kojiro NAKAHARA will retire at the forthcoming annual general meeting. Except for Mr. Lijia HUANG who did not offer himself for re-election, the remaining Directors, being eligible, offered themselves for re-election.

Various businesses of the Group are respectively under the responsibility of the Executive Directors of the Company who are regarded as members of the Group's senior management.

Qualified Accountant

Mr. Kenneth Kwok Keung LEUNG, aged 45, Qualified Accountant, joined the Company as Financial Controller in September 2004. He is responsible for overseeing the financial management and accounting functions of the Group. He obtained a bachelor degree in accountancy from the City University of Hong Kong and a degree in Bachelor of Laws from Tsinghua University. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate of the Institute of Chartered Accountants in England and Wales.

Directors' Interest in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or were parties and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2008, the interests and short positions of the Directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) the Company (i)

	Shares						
Directors	***Personal interests (held as beneficial owner)***	***Family interests (interests of spouse or child under 18)***	***Corporate interests (ii) (interests of controlled corporation)***	***Other interests***	***Awarded shares (iv)***	***Total interests***	***% of issued share capital***
Sir Gordon Ying Sheung WU	6,249,402	2,491,000	10,124,999	3,068,000 (iii)	–	21,933,401	0.74%
Eddie Ping Chang HO	1,824,046	136,554	205,000	–	–	2,165,600	0.07%
Thomas Jefferson WU	5,797,000	–	82,000	–	–	5,879,000	0.20%
Alan Chi Hung CHAN	280,000	–	–	–	140,000	420,000	0.01%
Leo Kwok Kee LEUNG	200,000	–	–	–	100,000	300,000	0.01%
Kojiro NAKAHARA	1,067	–	–	–	–	1,067	0.00%
Cheng Hui JIA	200,000	–	–	–	100,000	300,000	0.01%

Notes:

(i) All interests in the shares of the Company were long positions. None of the Directors or chief executives held any short position in the shares of the Company.

(ii) The corporate interests were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.

(iii) The other interests in 3,068,000 shares represented the interests held jointly by Sir Gordon Ying Sheung WU ("Sir Gordon WU") and his wife Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU").

(iv) The interests in awarded shares represented interests of awarded shares granted to Directors under the Employees' Share Award Scheme of the Company adopted on 25 January 2007 but not yet vested, details of which are set out below:

Directors	***Date of award***	***Number of awarded shares***	***Vesting date***
Alan Chi Hung CHAN	25/01/2007	140,000	25/01/2009
Leo Kwok Kee LEUNG	25/01/2007	100,000	25/01/2009
Cheng Hui JIA	25/01/2007	100,000	25/01/2009

(B) Associated Corporation

Hopewell Holdings Limited ("HHL")

Directors	*HHL Shares*				*HHL share options (iii)*	*Awarded shares (iv)*	*Total interests*	*% of issued share capital*
	Personal interests (held as beneficial owner)	*Family interests (interests of spouse or child under 18)*	*Corporate interests (i) (interests of controlled corporation)*	*Other interests (ii)*				
Sir Gordon Ying Sheung WU	74,683,032	21,910,000	111,250,000	30,680,000	–	–	238,523,032	26.73%
Eddie Ping Chang HO	25,023,462	1,365,538	2,050,000	–	–	–	28,439,000	3.19%
Thomas Jefferson WU	27,840,000	–	820,000	–	–	–	28,660,000	3.21%
Alan Chi Hung CHAN	585,000	–	–	–	–	–	585,000	0.07%
Lee Yick NAM	90,000	–	–	–	–	–	90,000	0.01%
Kojiro NAKAHARA	10,671	–	–	–	–	–	10,671	0.00%
Cheng Hui JIA	241,000	–	–	–	–	–	241,000	0.03%
Barry Chung Tat MOK	350,000	–	–	–	1,900,000	50,000	2,300,000	0.26%
Nicholas Tai Keung MAY	–	–	–	–	240,000	–	240,000	0.03%

Notes:

(i) The corporate interests of HHL Shares were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.

(ii) The other interests in 30,680,000 HHL Shares represented the interest held by Sir Gordon WU jointly with Lady Ivy WU.

(iii) The interests in HHL share options represented HHL share options granted under the share option scheme of HHL adopted on 1 November 2003 to subscribe for HHL Shares, details of which are set out below:

Directors	*Date of grant*	*Exercise price per share HK$*	*Number of outstanding options*	*Exercise period*
Barry Chung Tat MOK	02/09/2005	19.94	1,900,000	02/03/2006 – 01/03/2009
Nicholas Tai Keung MAY	15/11/2007	36.10	240,000	01/12/2008 – 30/11/2014

(iv) The interests in awarded shares represented interests of awarded shares granted to Directors under the HHL Employees' Share Award Scheme adopted on 25 January 2007 but not yet vested, details of which are set out below:

Director	*Date of award*	*Number of awarded shares*	*Vesting date*
Barry Chung Tat MOK	25/01/2007	50,000	25/01/2009

All the above interests in the shares and underlying shares of equity derivatives of associated corporation were long positions.

Save as aforesaid, as at 30 June 2008, none of the Directors or chief executives had any other interests or short position in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund ("MPF") Schemes Ordinance, the Group has set up the MPF Scheme. Mandatory contributions to this scheme is made by both the employer and employees at 5% of the employees' monthly relevant income capped at HK$20,000. During the year, the Group made contribution to the MPF Scheme amounted to approximately HK$440,000.

Share Options

(A) The share option scheme of the Company was approved by the written resolutions of the then sole shareholder of the Company passed on 16 July 2003 and approved by shareholders of HHL at an extraordinary general meeting held on 16 July 2003 (the "Option Scheme"). The Option Scheme will expire on 15 July 2013. A summary of some of the principal terms of the Option Scheme is set out in (B) below.

(B) The purpose of the Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to (i) any executive or non-executive directors including independent non-executive directors or any employees of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group; (iv) any chief executives, or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company or for such other purposes as the Board of Directors may approve from time to time.

Under the Option Scheme, the maximum number of shares in the Company which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme of the Company will not exceed 10% of the total number of shares of the Company in issue immediately following completion of the initial public offering, unless a fresh approval of shareholders of the Company is obtained. The maximum entitlement of each participant under the Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company. As at the date of this report, a total of 276,560,000 shares (representing 9.3% of the issued share capital of the Company) are available for issue under the Option Scheme.

The period during which an option may be exercised will be determined by the Board of Directors of the Company at its absolute discretion and shall expire not later than 10 years after the date of grant. Unless otherwise determined by the Board of Directors of the Company and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine and notified to a participant. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, being the date on which the offer is accepted (or, if such date is not a business day, the next following business day ("Grant Date")); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value of a share in the Company.

(C) Details of the movement of share options under the Option Scheme during the year ended 30 June 2008 were as follows:

	Date of grant	Exercise price per share HK$	Number of share options: Outstanding at 01/07/2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/06/2008	Exercise period	Closing price before date of grant falling within the year HK$
Employees	17/10/2006	5.858	6,200,000	–	152,000	1,120,000	4,928,000	01/12/2007-30/11/2013	N/A
Employees	19/11/2007	6.746	–	760,000	–	–	760,000	01/12/2008-30/11/2014	6.500
Total			6,200,000	760,000	152,000	1,120,000	5,688,000		

No options were cancelled during the year.

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised by the employees of the Company during the year were HK$6.64.

The options granted on 17 October 2006 and 19 November 2007 are exercisable in the following manner:

Maximum options exercisable	*Exercise period*
Granted on 17 October 2006	
20% of options granted	01/12/2007 - 30/11/2008
40%* of options granted	01/12/2008 - 30/11/2009
60%* of options granted	01/12/2009 - 30/11/2010
80%* of options granted	01/12/2010 - 30/11/2011
100%* of options granted	01/12/2011 - 30/11/2013
Granted on 19 November 2007	
20% of options granted	01/12/2008 - 30/11/2009
40%* of options granted	01/12/2009 - 30/11/2010
60%* of options granted	01/12/2010 - 30/11/2011
80%* of options granted	01/12/2011 - 30/11/2012
100%* of options granted	01/12/2012 - 30/11/2014

** including those not previously exercised*

The fair value of the share options granted during the year with the exercise price per share of HK$6.746 is estimated at approximately HK$705,000 at the Grant Date using the Binomial option pricing model. The value is estimated based on the share price of HK$6.55 per share at the Grant Date, the historical volatility of share price of the Company of 23.83% which is based on 5 years weekly historical volatility of the Company's share price from the date of listing to 19 November 2007, expected life of options of 7.03 years, expected dividend yield of 5.78%, and the risk-free rate of 3.33% with reference to the rate on the 7-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded option. Such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility.

Share Awards

(A) The Share Award Scheme (the "Award Scheme") was adopted by the Board on 25 January 2007 ("Adoption Date"). Unless terminated earlier by the Board, the Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the Adoption Date. A summary of some of the principal terms of the Award Scheme is set out in (B) below.

(B) The purpose of the Award Scheme is to recognize the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentive in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Under the Award Scheme, the Board (or where the relevant selected employee is a director of the Company, the Remuneration Committee) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued share capital of the Company as at the date of such grant.

(C) Details of the movement of share awards under the Award Scheme for the year under review were set out below:

Vesting Date	*Outstanding at 01/07/2007*	*Movements during the year*			*Outstanding at 30/06/2008*
		Awarded	*Vested*	*Lapsed*	
Directors					
25/01/2008	340,000	–	340,000	–	–
25/01/2009	340,000	–	–	–	340,000
Employees					
25/01/2008	40,000	–	40,000	–	–
25/01/2009	40,000	–	–	–	40,000
Total	760,000	–	380,000	–	380,000
Weighted average fair value	HK$5.94	–	HK$6.21	–	HK$5.94

(D) During the year under review, the dividend income amounted to HK$152,000 had been received in respect of the shares held upon the trust for the Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash for the purchase of the Company's Shares which shall become returned shares (i.e. the awarded shares which are not vested in accordance with the terms of the Award Scheme whether as a result of a lapse or otherwise) for the purpose of the Award Scheme and shall be held by the trustee for the benefit of one or more employees of the Group, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash to the Company, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the remuneration committee of the Board of the Company.

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous sections headed “Share Options” and “Share Awards”, at no time during the year ended 30 June 2008 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors' Remuneration

The Directors' fees are determined by shareholders at the annual general meeting and the other emoluments payable to Directors are determined by the Board of Directors with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Service Contracts of Directors

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation). All the Independent Non-Executive Directors of the Company are appointed for a fixed period but subject to retirement from office and re-election at the annual general meetings of the Company in accordance with the Company's Articles of Association.

Management Contracts

No contract of significance concerning the management and administration of the whole or any substantial part of any business of the Company was entered into during the year or subsisted at the end of the year.

Substantial Shareholders

As at 30 June 2008, to the best knowledge of the Directors, the interests of persons (other than Directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	***Capacity***	***Number of shares (corporate interests)***	***% of issued share capital***
Anber Investments Limited	Beneficial owner	2,160,000,000 (A)	72.72%
Delta Roads Limited	Interests of controlled corporation	2,160,000,000 (A)	72.72%
Dover Hills Investments Limited	Interests of controlled corporation	2,160,000,000 (A)	72.72%
Supreme Choice Investments Limited	Interests of controlled corporation	2,160,000,000 (A)	72.72%
Hopewell Holdings Limited	Interests of controlled corporation and Beneficial owner (B)	2,168,812,500 (B)	73.01%
Commonwealth Bank of Australia	Interests of controlled corporation	148,412,100	5.00%

Notes:

(A) The 2,160,000,000 shares were held by Anber Investments Limited ("Anber"), a wholly-owned subsidiary of Delta Roads Limited ("Delta") which was wholly-owned by Dover Hills Investments Limited ("Dover"). Dover was in turn 100% owned by Supreme Choice Investments Limited ("Supreme"), a wholly-owned subsidiary of Hopewell Holdings Limited. The interests of Anber, Delta, Dover, Supreme and HHL in 2,160,000,000 shares were long positions, represented the same block of shares and were deemed under the SFO to have same interests with each other.

(B) 8,812,500 shares were held as beneficial owner and the remaining 2,160,000,000 shares were held through interests of controlled corporations referred to in Note (A).

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2008.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Confirmation on Independence

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers such Directors to be independent.

Connected Transactions

(A) Management Agreement with Nan Yue

On 1 June 2007, Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") entered into a management agreement ("Management Agreement") with Guangdong Nan Yue Logistics Company Limited ("Nan Yue"), a subsidiary of its PRC partner.

Pursuant to the Management Agreement, Nan Yue would provide to West Route JV the material logistics services, consisting of the planning, procurement and logistics management of the main construction materials for the Phase II West Project ("Material Logistics Services"). The appointment is effective from the date of execution of such agreement and continues for three years or until the completion of the supply of the materials, payment of all material fees and after audit by the relevant departments of West Route JV, whichever is earlier. The appointment may be extended by mutual agreement. The Management Agreement will terminate after the end of the term of appointment of Nan Yue and the expiry of the warranty period (which is 24 months after the completion of the Phase II West Project). The service fee is 2.5% of the fee for the materials supplied for the Phase II West Project and shall be paid on a quarterly basis after deduction of the 5% assurance fee that shall be repayable without interest to Nan Yue upon completion of the term of the Management Agreement. The material shall be purchased by Nan Yue from the relevant material suppliers and supplied to the contractors appointed by West Route JV for the construction of the Phase II West Project ("Construction Contractors"). The material fee shall be payable by Nan Yue to the Construction Contractors. In the event that the relevant material supplier shall fail to supply the materials on time, upon approval by West Route JV, Nan Yue shall take such actions as may be required (including using its own material stock or making purchase separately) to resume the supply of materials for the Phase II West Project.

Pursuant to the Listing Agreement between the Company and the Stock Exchange and the letter dated 7 August 2003 from HHL to the Stock Exchange, West Route JV, being a Sino-foreign cooperative joint venture enterprise jointly controlled by the Group which operates a toll road project, is deemed to be a subsidiary of the Company and HHL for the purposes of the then Chapter 14 of the Listing Rules (which has been subdivided into Chapters 14 and 14A since revisions of the Listing Rules came into effect on 31 March 2004). The relevant PRC partner of West Route JV currently has a 50% interest in each of West Route JV and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (which is a Sino-foreign co-operative joint venture between West Route PRC Partner and a subsidiary of the Company) and is accordingly deemed to be a connected person of the Company and HHL for the purposes of Chapter 14A of the Listing Rules.

The service fee paid and payable to Nan Yue for the Material Logistics Services provided during the year ended 30 June 2008 under the Management Agreement was RMB11.7 million (2007: Nil).

The Independent Non-executive Directors of the Company have reviewed and confirmed that the Material Logistic Services provided by Nan Yue since the commencement of the Management Agreement and for the financial year ended 30 June 2008 have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms; and in accordance with the Management Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

A reference to the confirmation by the auditor of the Company in relation to the above continuing connected transactions is included under the section headed "External Auditors" in the Corporate Governance Report.

(B) Sale of Ring Road JV

On 9 August 2007, a wholly-owned subsidiary of the Company entered into an agreement with one of the joint venture partners of the Guangzhou East-South-West Ring Road joint venture for the sale of its entire interest, including rights, duties and obligations in the Guangzhou East-South-West Ring Road joint venture, for a consideration of RMB1,712.55 million. The transaction was completed in September 2007, resulting in a pretax gain on disposal of HK$974 million for the Group. Pursuant to the above-mentioned Listing Agreement between the Company and the Stock Exchange and the letter dated 7 August 2003 from HHL to the Stock Exchange, the Guangzhou East-South-West Ring Road joint venture is also deemed to be a subsidiary of the Company and HHL for the purposes of the current Chapters 14 and 14A of the Listing Rules and as the purchaser currently has a 10% interest in this joint venture, it is accordingly deemed to be a connected person of the Company and HHL for the purposes of Chapter 14A of the Listing Rules.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Disclosure under Chapter 13.18 of the Listing Rules

Pursuant to a loan agreement entered into by a wholly-owned subsidiary of the Company for a facility in the aggregate amount of HK$3,600,000,000 with a tenor of 5 years from 13 October 2005, it will be an event of default if the Company ceases at any time to be a subsidiary of HHL.

Auditor

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Chairman

Hong Kong, 10 September 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED
合和公路基建有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hopewell Highway Infrastructure Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 91, which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
10 September 2008

Consolidated Income Statement

For the Year Ended 30 June 2008

	NOTES	2007 HK$'000	**2008 HK$'000**
Turnover	5	2,026,215	**1,716,797**
Other income and other expense	6	584,627	**675,510**
Toll operation expenses		(134,876)	**(163,099)**
Depreciation and amortisation charges		(381,324)	**(354,728)**
General and administrative expenses		(105,895)	**(134,097)**
Finance costs	7	(459,724)	**(252,374)**
Gain on disposal of a jointly controlled entity	8	—	**973,594**
Profit before tax		1,529,023	**2,461,603**
Income tax expenses	9	(155,019)	**(445,993)**
Profit for the year	10	1,374,004	**2,015,610**
Attributable to:			
Equity holders of the Company		1,348,531	**1,997,067**
Minority interests		25,473	**18,543**
Profit for the year		1,374,004	**2,015,610**
Dividends paid	12	950,022	**1,306,980**
		HK cents	***HK cents***
Earnings per share	13		
Basic		45.45	**67.25**
Diluted		45.43	**67.22**

Consolidated Balance Sheet

At 30 June 2008

	NOTES	2007 HK$'000	2008 HK$'000
ASSETS			
Non-current Assets			
Property and equipment	15	10,203,577	**9,394,586**
Additional investment cost in jointly controlled entities	16	1,705,738	**1,113,375**
Additional investment cost in toll expressway project under development	18	49,631	**53,903**
Prepaid lease payments	19	125,714	**133,696**
Balances with jointly controlled entities	20	806,231	**530,645**
		12,890,891	**11,226,205**
Current Assets			
Inventories		2,845	**2,052**
Deposits and prepayments		27,938	**17,212**
Other receivables	21	62,944	**78,477**
Other receivable from a joint venture partner	21	87,036	**—**
Other receivable from a jointly controlled entity	21	—	**11,714**
Prepaid lease payments	19	4,846	**5,371**
Pledged bank balances and deposits	22	392,854	**235,265**
Bank balances and cash	22		
— The Group		3,904,064	**5,997,274**
— Jointly controlled entities		51,121	**4,865**
		4,533,648	**6,352,230**
Total Assets		17,424,539	**17,578,435**

Consolidated Balance Sheet *(continued)*

At 30 June 2008

	NOTES	2007 HK$'000	**2008 HK$'000**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	23	297,033	**297,048**
Share premium and reserves	24	10,598,062	**11,389,308**
Equity attributable to equity holders of the Company		10,895,095	**11,686,356**
Minority interests		44,383	**50,718**
Total Equity		10,939,478	**11,737,074**
Non-current Liabilities			
Other payables	25	—	**55,267**
Bank and other loans	26	4,995,287	**4,444,077**
Balances with joint venture partners	27	602,564	**360,154**
Deferred tax liabilities	28	255,308	**295,965**
		5,853,159	**5,155,463**
Current Liabilities			
Other payables, accruals and deposits received	25	257,449	**383,145**
Bank and other loans	26	219,776	**267,109**
Other payable to a jointly controlled entity	25	118,213	**—**
Other interest payable		7,530	**5,677**
Tax liabilities		28,934	**29,967**
		631,902	**685,898**
Total Liabilities		6,485,061	**5,841,361**
Total Equity and Liabilities		17,424,539	**17,578,435**

Thomas Jefferson WU
Managing Director

Alan Chi Hung CHAN
Deputy Managing Director

Consolidated Statement of Changes in Equity

For the Year ended 30 June 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	PRC statutory reserves HK$'000	Translation reserve HK$'000	Shares held for share award scheme HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 July 2006	294,962	7,387,916	94,716	89,834	—	—	—	2,432,751	10,300,179	35,656	10,335,835
Exchange gain on translation of operations outside Hong Kong recognised directly in equity	—	—	—	111,281	—	—	—	—	111,281	—	111,281
Profit for the year	—	—	—	—	—	—	—	1,348,531	1,348,531	25,473	1,374,004
Total recognised income	—	—	—	111,281	—	—	—	1,348,531	1,459,812	25,473	1,485,285
Shares issued at premium on exercise of warrants	1,831	74,697	—	—	—	—	—	—	76,528	—	76,528
Shares issued at premium on exercise of share options	240	11,460	—	—	—	—	—	—	11,700	—	11,700
Recognition of equity-settled share-based payments	—	—	—	—	—	1,743	9,284	—	11,027	—	11,027
Shares vested for share award scheme	—	—	—	—	—	—	(7,851)	(743)	(8,594)	—	(8,594)
Purchase of shares for unvested shares under share award scheme	—	—	—	—	(5,535)	—	—	—	(5,535)	—	(5,535)
Transfer between reserves	—	—	11,637	—	—	—	—	(11,637)	—	—	—
Final dividend paid for year ended 30 June 2006	—	—	—	—	—	—	—	(504,564)	(504,564)	—	(504,564)
Interim dividend paid	—	—	—	—	—	—	—	(445,458)	(445,458)	—	(445,458)
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	(16,746)	(16,746)
At 30 June 2007	297,033	7,474,073	106,353	201,115	(5,535)	1,743	1,433	2,818,880	10,895,095	44,383	10,939,478
Exchange gain on translation of operations outside Hong Kong recognised directly in equity	**—**	**—**	**—**	**180,335**	**—**	**—**	**—**	**—**	**180,335**	**—**	**180,335**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,997,067**	**1,997,067**	**18,543**	**2,015,610**
Transfer to profit or loss on disposal of a jointly controlled entity	**—**	**—**	**—**	**(76,918)**	**—**	**—**	**—**	**—**	**(76,918)**	**—**	**(76,918)**
Total recognised income	**—**	**—**	**—**	**103,417**	**—**	**—**	**—**	**1,997,067**	**2,100,484**	**18,543**	**2,119,027**
Change in profit sharing of a jointly controlled entity	**—**	**—**	**(4,254)**	**(3,475)**	**—**	**—**	**—**	**—**	**(7,729)**	**—**	**(7,729)**
Shares issued at premium on exercise of share options	**15**	**1,018**	**—**	**—**	**—**	**(144)**	**—**	**—**	**889**	**—**	**889**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**2,126**	**2,471**	**—**	**4,597**	**—**	**4,597**
Shares vested for share award scheme	**—**	**—**	**—**	**—**	**2,767**	**—**	**(2,360)**	**(407)**	**—**	**—**	**—**
Transfer between reserves	**—**	**—**	**7,727**	**—**	**—**	**—**	**—**	**(7,727)**	**—**	**—**	**—**
Final dividend paid for year ended 30 June 2007	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(594,065)**	**(594,065)**	**—**	**(594,065)**
Interim dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(712,915)**	**(712,915)**	**—**	**(712,915)**
Dividends paid to minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(12,208)**	**(12,208)**
At 30 June 2008	**297,048**	**7,475,091**	**109,826**	**301,057**	**(2,768)**	**3,725**	**1,544**	**3,500,833**	**11,686,356**	**50,718**	**11,737,074**

Consolidated Cash Flow Statement

For the Year ended 30 June 2008

	NOTE	2007 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before tax		1,529,023	**2,461,603**
Adjustments for:			
Gain on disposal of a jointly controlled entity		—	**(973,594)**
Interest expense, fair value adjustment and acceleration of imputed interest		447,322	**280,055**
Interest income and acceleration of imputed interest		(300,391)	**(242,587)**
Net exchange gain		(236,339)	**(439,170)**
Depreciation and amortisation charges		381,324	**354,728**
Share-based payment expense		11,027	**4,597**
Impairment loss recognised on a receivable		—	**4,572**
Loss (gain) on disposal of property and equipment		381	**(159)**
Gain on waiver of loan from a joint venture partner		(7,638)	**—**
Recovery of impairment loss of a receivable		(10,983)	**—**
Operating cash flows before movements in working capital		1,813,726	**1,450,045**
(Increase) decrease in inventories		(594)	**534**
Decrease in deposits and prepayments		1,530	**7,750**
Decrease (increase) in other receivables		14,992	**(17,004)**
Increase (decrease) in other payables, accruals and deposits received		42,722	**(6,086)**
Cash generated from operations		1,872,376	**1,435,239**
Income taxes paid		(100,093)	**(145,104)**
Payment for purchase of shares under share award scheme		(14,129)	**—**
NET CASH FROM OPERATING ACTIVITIES		1,758,154	**1,290,135**
INVESTING ACTIVITIES			
Net cash flow arising on disposal of a jointly controlled entity	8	—	**1,719,912**
Tax paid on disposal of a jointly controlled entity		—	**(132,376)**
Receipt of additional investment cost		—	**382,722**
Purchases of property and equipment		(618,454)	**(1,041,365)**
Proceeds on disposals of property and equipment		211	**683**
Repayments of registered capital contributions and loans made to jointly controlled entities		416,402	**493,793**
Repayment of other receivable from a jointly controlled entity		—	**24,555**
Advances of registered capital contributions and loans made to jointly controlled entities		(89,288)	**(333,311)**
Interest received		177,394	**210,543**
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(113,735)	**1,325,156**

Consolidated Cash Flow Statement *(continued)*

For the Year ended 30 June 2008

	2007 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	88,228	**889**
New bank and other loans raised	751,627	**1,185,983**
Repayments of bank and other loans	(275,148)	**(187,144)**
Repayments of loans made from joint venture partners	(574,102)	**(284,075)**
Registered capital contributions and loans made from joint venture partners	530,295	**154,348**
Interest paid	(300,518)	**(256,395)**
Dividends paid to:		
— equity holders of the Company	(950,022)	**(1,306,980)**
— a minority shareholder of a subsidiary	(16,746)	**(12,208)**
NET CASH USED IN FINANCING ACTIVITIES	(746,386)	**(705,582)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	898,033	**1,909,709**
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,384,189	**4,322,389**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	40,167	**(7,656)**
EFFECT OF CHANGE IN PROFIT SHARING OF A JOINTLY CONTROLLED ENTITY	—	**(14,326)**
CASH AND CASH EQUIVALENTS CARRIED FORWARD	4,322,389	**6,210,116**
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	3,955,185	**6,002,139**
Pledged bank balances and deposits	367,204	**207,977**
CASH AND CASH EQUIVALENTS CARRIED FORWARD	4,322,389	**6,210,116**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Anber Investments Limited, a limited company incorporated in the British Virgin Islands. The Company's ultimate holding company is Hopewell Holdings Limited ("HH"), a public limited company incorporated in Hong Kong whose shares are listed on the Stock Exchange.

The addresses of the registered office and the principal place of business of the Company are disclosed in the section of corporate information in the annual report.

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries and jointly controlled entities are set out in notes 33 and 17 respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Company. The functional currency of the operations of the Group's jointly controlled entities and certain subsidiaries is Renminbi ("RMB").

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard and amendment issued by International Accounting Standards Board ("IASB") and the following interpretations developed by International Financial Reporting Interpretations Committee (collectively referred to as the "new IFRSs"), which are effective for the Group's financial year beginning on 1 July 2007.

IAS 1 (Amendment)	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under IAS 1 (Amendment) and IFRS 7 retrospectively. Certain information presented in prior year under the requirements of IAS 32 has been removed and the relevant comparative information based on the requirements of IAS 1 (Amendment) and IFRS 7 has been presented for the first time in the current year.

The Group has not early adopted the following new and 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 (Amendments)	Eligible Hedge Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 12	Service Concession Arrangements[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[6]

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 January 2008
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

The adoption of IFRS 3 (Revised) may affect the accounting for business combination 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 on changes in a parent's ownership interest in a subsidiary that do not result in a loss control, which will be accounted for as equity transactions.

Except for IFRIC 12, the directors 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.

IFRIC 12 "Service Concession Arrangements" applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements. Infrastructure within the scope of this interpretation shall not be recognised as property and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator, which has access to infrastructure to provide a public service on behalf of the grantor in accordance with the terms specified in the respective contracts, shall recognise an intangible asset in accordance with IAS 38 "Intangible Assets" to the extent that the operator received a right to charge users of the public service. This intangible asset, which is with a finite economic life, will be amortised over that life and the amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the jointly controlled entities. 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 intangible assets. In addition, the operator accounts for the services in relation to the operation of the infrastructure in accordance with IAS 18 "Revenue".

This interpretation is applicable to the Group and its jointly controlled entities which are engaged in construction, operation and management of toll expressway projects under service concession arrangement. The Group will apply it for the annual periods beginning 1 July 2008 retrospectively. The directors of the Company anticipate that the application of this interpretation will change the balance sheet presentation of certain assets of the jointly controlled entities and the corresponding note disclosure but are still in the process of assessing the potential impact on the results and the financial position of the Group regarding the recognition of the construction income and expense during the construction stage of the expressway projects and the consequential amortisation.

IFRS 8 "Operating Segments" sets out requirements for disclosure of information about an entity's operating segments, its products and services, the geographical areas in which it operates, and its major customers. This standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The directors of the Company considered that the adoption of IFRS 8 will result in a redesignation of the Group's reportable segments, but has had no impact on the reported results or financial position of the Group. This standard is applicable to the Group and the Group will apply it for the annual periods beginning 1 July 2009 retrospectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

The 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, as explained in the principal accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and jointly controlled entities made up to each balance sheet date.

The results of operation of subsidiaries acquired or disposed of during the year and the share attributable to minority interests are accounted for in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The results of operation of jointly controlled entities are accounted for by proportionate consolidation as described below.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Company has control over the operations. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Interests in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the proportionate consolidation method based on the profit-sharing ratios or net cash flow sharing ratio (as the case may be) specified in the relevant joint venture agreements. The Group's share of the income, expenses, assets and liabilities of jointly controlled entities, other than the transactions and balances between the Group and jointly controlled entities, are consolidated with the equivalent items in the consolidated financial information on a line-by-line basis. Transactions and balances between the Group and the jointly controlled entities are eliminated to the extent of the Group's share of the relevant income, expenses, receivables and payables of the jointly controlled entities. Unrealised profits and losses arising on transactions with the jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except to the extent that unrealised losses provide evidence of an impairment of the asset.

The share of the income, expenses, assets and liabilities of the jointly controlled entities acquired or disposed of during the year are included in the consolidated financial statements up to the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss arising on the disposal of the jointly controlled entity is determined as the difference between the net disposal proceeds and the share of the net assets of the jointly controlled entity up to the date of disposal including the cumulative amount of any exchange differences that relate to the jointly controlled entity recognised in equity, included in the consolidated financial statements in the year which the jointly controlled entity is disposed of.

Additional investment cost in jointly controlled entities

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. On proportionate consolidation, a portion of such costs, calculated based on the Group's interest in the jointly controlled entities, is included in the costs of toll expressways. The balance of such costs is carried as additional investment cost in jointly controlled entities and is 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.

Property and equipment

Property and equipment, including building held for use in the supply of services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment loss.

Construction in progress is stated at cost less any identified impairment losses. Cost includes professional fee and, for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The cost of toll expressways includes the Group's proportionate share of (i) the construction costs of the toll expressways recorded in the jointly controlled entities' financial statements and (ii) the Additional Development Cost. The balance of the Additional Development Cost not included in the costs of toll expressways has been presented separately as additional investment cost in jointly controlled entities.

Depreciation of toll expressways is calculated to write off their costs, commencing from the date of commencement of commercial operation of the toll expressways. The annual depreciation of the toll expressway other than the repavement costs capitalised is calculated by applying 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 volume is 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.

Depreciation of other property and equipment other than construction in progress is provided to write off their costs over their estimated useful lives after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Ancillary traffic facilities, furniture, fixtures and equipment	3.45%–20%
Motor vehicles	10%–20%

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment *(continued)*

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Additional investment cost in toll expressway project under development

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, is stated at cost less any identified impairment losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and related business taxes.

Toll fee income from the operation of toll expressways is recognised at the time of usage and when the tolls are received and receivable.

Interest income from financial assets are recognised on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of those financial asset to that asset's net carrying amount.

Management fee income is recognised when the related services are provided.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases, which consists primarily of income from renting of machinery and equipment to local contractors and leasing of spaces along the toll expressway for oil stations, is recognised on a straight-line basis over the respective lease term.

The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations outside Hong Kong are translated into the presentation currency of the Group (i.e. HKD) at the rates of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as expenses in the consolidated income statement in the year in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense when employees rendered services entitling them to the contribution. Payments made to retirement benefit schemes are dealt with as payments to defined contribution plans where the obligations under the schemes of the Group and the jointly controlled entities are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation
Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of such asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories
Inventories, representing materials, spare parts and other consumable stores, are stated at the lower of cost and net realisable value. Cost comprises all costs of purchases and other costs that have been incurred in bringing the inventories to their present location and condition and is calculated using the first in, first out method.

Financial instruments
Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Any difference arising on initial recognition between the fair value and the consideration given/received is recognised as fair value adjustment in the consolidated income statements to the extent that this difference does not represent a capital contribution by the equity participant. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets
The Group's financial assets are classified as loans and receivables.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables
Loans and receivables (including balances with jointly controlled entities, other receivables, other receivable from a joint venture partner and a jointly controlled entity, bank balances and deposits, and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity
Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities
Financial liabilities (including other payables, accruals, bank and other loans, other payable to a jointly controlled entity, other interest payable and balances with joint venture partners) are subsequently measured at amortised cost using the effective interest method.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The cost of the Company's shares repurchased by the Company (or its subsidiaries) for the shares award scheme is recognised as a deduction from equity in a special reserve (shares held for Share Award Scheme). No gain or loss shall be recognised in the consolidated income statement on the purchase, sale, issue or cancellation of such shares.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options/awarded shares granted to employees after 1 July 2005

The fair value of services received, determined by reference to the fair value of share options and awarded shares granted at the grant date, is expensed as staff costs on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve and share award reserve respectively).

At each balance sheet date, the Group revises its estimates of the number of share options and the awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve and the share award reserve respectively.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained profits.

Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in the consolidated income statement.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

Depreciation of toll expressways and amortisation of additional investment cost in jointly controlled entities

Depreciation of toll expressways other than the repavement costs capitalised and amortisation of additional investment cost in jointly controlled entities of the Group are calculated based on ratio of actual traffic volume compared to the total expected traffic volume throughout the remaining operation period of the respective jointly controlled entities. Depreciation of repavement costs capitalised is calculated based on a similar basis over the estimated useful life of eight years. Adjustments may need to be made to the carrying amounts of toll expressways (including repavement costs capitalised) and additional investment cost in jointly controlled entities should there be a material difference between the total expected traffic volume and the actual results or should there be a material change in the expected utility and future economic benefits embodied in the repavement costs capitalised.

As at 30 June 2008, as part of the established policy of the Group, the Company's management has reviewed the total expected traffic volume and the estimated useful life of the repavement costs capitalised. Independent traffic studies are performed in order to ascertain whether any appropriate adjustments should be made to the assumptions of the expected traffic volume. The total expected traffic volume applied by the Group for the determination of depreciation of toll expressways and amortisation of additional investment cost in jointly controlled entities for the year ended 30 June 2008 was based on latest independent traffic studies. In addition, the management conduct a review of the condition, the expected utility and future economic benefits embodied in the repavement costs capitalised to ensure the depreciation of repavement costs capitalised consistent with the expected pattern of consumption of benefits on the repavement costs capitalised.

In the current year, the Group reported depreciation of toll expressways and amortisation of additional investment costs amounting to approximately HK$291,123,000 and HK$36,889,000 respectively. The Company's management consider that these are calculated by reference to the best estimates on the estimated useful life, and the total expected traffic volume and they should not be materially different from the actual traffic volume in the future. The current year depreciation and amortisation charged to consolidated income statements are less than the depreciation and amortisation estimated in prior financial year based on the then expected traffic volume for future financial years and estimated useful life by approximately HK$33,477,000 (2007: HK$9,662,000) and HK$9,548,000 (2007: HK$2,246,000) respectively.

5. TURNOVER AND SEGMENT INFORMATION

Turnover represents the Group's proportionate share of the jointly controlled entities' toll fee income received and receivable from the operations of toll expressways, net of discounts and related business tax and is analysed as follows:

	2007 *HK$'000*	***2008*** ***HK$'000***
Toll fee income	2,088,993	**1,769,912**
Business tax	(62,778)	**(53,115)**
	2,026,215	**1,716,797**

The Group has only one business segment, namely the development, operation and management of toll expressways in the People's Republic of China (the "PRC") through its jointly controlled entities established in the PRC. No geographical segment analysis is presented as management considers that the Group has only one single geographical segment.

6. OTHER INCOME AND OTHER EXPENSE

	2007 HK$'000	**2008 HK$'000**
Interest income from:		
Loan made by the Group to a jointly controlled entity	35,046	**10,161**
Bank deposits	177,394	**210,543**
Imputed interest income on interest-free registered capital contributions or loan made to a jointly controlled entity	22,211	**21,883**
Acceleration of imputed interest on early repayment of interest-free loan made by the Group to a jointly controlled entity	65,740	**—**
Net exchange gain	236,339	**439,170**
Rental income	6,024	**6,625**
Recovery of impairment loss on a receivable	10,983	**—**
Management fee income from jointly controlled entities	2,916	**2,310**
Gain on waiver of loan from a joint venture partner	7,638	**—**
Gain on disposal of property and equipment	—	**159**
Others	20,336	**24,627**
	584,627	**715,478**
Fair value adjustment on interest-free registered capital contributions made to a jointly controlled entity	—	**(39,968)**
	584,627	**675,510**

7. FINANCE COSTS

	2007 HK$'000	**2008 HK$'000**
Interest on:		
Bank loans	282,056	**257,086**
Loan made by a joint venture partner	25,880	**—**
Other loan wholly repayable within five years	131	**—**
Imputed interest on:		
Interest-free registered capital contributions or loans made by joint venture partners	25,693	**22,645**
Other interest-free loan	298	**329**
Acceleration of imputed interest on early repayment of interest-free loans made by joint venture partners to a jointly controlled entity	138,945	**—**
	473,003	**280,060**
Other financial expenses (note a)	12,402	**12,287**
	485,405	**292,347**
Less: Amounts capitalised (note b)	(25,681)	**(39,973)**
	459,724	**252,374**

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 a period of 5 years commencing from 13 October 2005. At 30 June 2007 and 2008, the Group had not utilised any part of such facilities.

(b) Borrowing costs capitalised during the year arose on a bank borrowing and a loan made by a joint venture partner by applying a capitalisation rate of 6.51% (2007: a loan made by a joint venture partner by applying a capitalisation rate of 4.76%) per annum to expenditure on qualifying assets.

8. 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 the Ring Road JV PRC partner 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"). The Disposal was completed in late September 2007 and the gain on disposal of a jointly controlled entity was recognised in the consolidated income statement.

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

	Year ended 30 June	
	2007	***2008***
	HK$'000	***HK$'000***
Turnover	182,925	**45,516**
Other income	38,871	**24,441**
Toll operation expenses	(26,565)	**(16,424)**
Depreciation charges	(35,534)	**(11,107)**
General and administrative expenses	(9,019)	**(6,451)**
Finance costs	(272,200)	**(21,440)**
(Loss) profit before tax	(121,522)	**14,535**
Income tax expenses	(40,456)	**(46,201)**
Loss for the year	(161,978)	**(31,666)**

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

	HK$'000
Net assets disposed of:	
Property and equipment	2,206,616
Other receivable from a joint venture partner	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)
	783,500
Additional investment cost in a jointly controlled entity	231,150
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

9. INCOME TAX EXPENSES

	2007 HK$'000	2008 HK$'000
The tax charge comprises:		
PRC Enterprises Income Tax		
The Group	568	**155,380**
Jointly controlled entities	103,698	**116,085**
Deferred taxation (note 28)		
Current year	50,753	**69,004**
Attributable to a change in tax rate	—	**105,524**
	155,019	**445,993**

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 represents mainly the PRC Enterprise Income Tax of approximately HK$22,889,000 (2007: Nil) 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 operated 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 (2007: Nil), which are calculated at the rates prevailing in the 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$114,785,000 (2007: HK$103,698,000), which is calculated at 7.5% for the half year ended 31 December 2007 and 9% for the half year ended 30 June 2008 (2007: 7.5% for whole year) of the estimated assessable profit for the year and the Group's proportionate share of the provision for the PRC Enterprise Income Tax of 廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV"), another jointly controlled entity of the Group, amounting to approximately HK$1,300,000 (2007: Nil), which is calculated at 9% (2007: Nil) of the estimated profit for period from 1 January 2008 to 30 June 2008.

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-year exemption from income tax expired in December 2004.

West Route JV is entitled to a 2-year exemption from income tax for income commencing from the first profit-making year as computed under PRC accounting standards and tax regulations and 3-years half of the regular tax rate ("2 + 3" exemption). The first year for which West Route JV recorded profit 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 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. The deferred tax balances has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

9. INCOME TAX EXPENSES *(continued)*

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

	2007 HK$'000	**2008 HK$'000**
Profit before tax	1,529,023	**2,461,603**
Tax at normal PRC income tax rate of 25% (2007: 33%)	504,578	**615,401**
Effect of concessionary rate on income tax expenses	(365,237)	**(239,646)**
Tax effect of income not taxable for tax purposes	(114,760)	**(81,699)**
Tax effect of expenses not deductible for tax purposes	95,413	**54,678**
Differential tax rate on temporary difference of jointly controlled entities	626	**7,471**
Reduction of deferred tax assets for unused tax losses	34,927	**—**
Tax effect of tax losses not recognised	—	**4,077**
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	—	**105,524**
Differential tax rate on gain on disposal of a jointly controlled entity	—	**(111,023)**
PRC Enterprise Income Tax on additional investment cost undertaken and paid by GS Superhighway JV	—	**22,889**
Deferred tax on undistributed earnings of PRC jointly controlled entities	—	**68,008**
Others	(528)	**313**
Income tax expenses	155,019	**445,993**

10. PROFIT FOR THE YEAR

	2007 HK$'000	**2008 HK$'000**
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	2,050	**2,086**
Staff costs (excluding directors' remuneration)	96,529	**131,288**
Amortisation of:		
Additional investment cost in jointly controlled entities	57,613	**36,889**
Prepaid lease payments	4,942	**5,323**
Depreciation of:		
Toll expressways	300,884	**291,123**
Other property and equipment	17,885	**21,393**
Impairment loss recognised on a receivable	—	**4,572**
Loss (gain) on disposal of property and equipment	381	**(159)**

11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 13 (2007: 12) directors, including Mr. Yuk Keung IP who was appointed on 13 August 2007 and resigned with effective from 29 February 2008, were as follows:

	2007						2008					
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Contributions to retirement benefits plans HK$'000	Share award HK$'000	Total HK$'000	Directors' fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Contributions to retirement benefits plans HK$'000	Share award HK$'000	Total HK$'000
Sir Gordon Ying Sheung WU	300	3,000	—	—	—	3,300	**300**	**3,000**	**—**	**—**	**—**	**3,300**
Eddie Ping Chang HO	250	2,400	—	—	—	2,650	**250**	**2,400**	**—**	**—**	**—**	**2,650**
Thomas Jefferson WU	200	1,656	138	12	5,323	7,329	**200**	**1,656**	**138**	**12**	**—**	**2,006**
Alan Chi Hung CHAN	200	1,693	138	12	1,460	3,503	**200**	**1,707**	**138**	**12**	**893**	**2,950**
Leo Kwok Kee LEUNG	200	1,500	125	12	1,042	2,879	**200**	**1,500**	**125**	**12**	**638**	**2,475**
Lijia HUANG (note)	200	447	590	—	—	1,237	**200**	**453**	**158**	**—**	**—**	**811**
Cheng Hui JIA	200	831	69	—	1,042	2,142	**200**	**831**	**8,069**	**—**	**638**	**9,738**
Philip Tsung Cheng FEI	200	—	—	—	—	200	**200**	**—**	**—**	**—**	**—**	**200**
Lee Yick NAM	200	—	—	—	—	200	**200**	**—**	**—**	**—**	**—**	**200**
Kojiro NAKAHARA	200	—	—	—	—	200	**200**	**—**	**—**	**—**	**—**	**200**
Gordon YEN	200	—	—	—	—	200	**200**	**—**	**—**	**—**	**—**	**200**
Barry Chung Tat MOK	200	—	—	—	—	200	**200**	**—**	**—**	**—**	**—**	**200**
Yuk Keung IP	N/A	N/A	N/A	N/A	N/A	N/A	**200**	**—**	**—**	**—**	**—**	**200**
	2,550	11,527	1,060	36	8,867	24,040	**2,750**	**11,547**	**8,628**	**36**	**2,169**	**25,130**

Note:

The directors' emoluments paid or payable to Mr. Lijia HUANG included approximately HK$221,000 (2007: HK$147,000) paid by GS Superhighway JV proportionately shared by the Group.

Five highest paid individuals' emoluments

The five highest paid individuals of the Group in 2007 and 2008 were all directors of the Company and details of their emoluments are disclosed above.

During the two years ended 30 June 2008, no emoluments were paid by the Group to any of the persons who are directors or the five highest paid individuals of the Company as an inducement to join or upon joining the Group or as compensation for loss of office and none of the persons who are directors of the Company waived any emoluments.

12. DIVIDENDS

	2007 HK$'000	**2008 HK$'000**
Dividends paid and recognised as a distribution during the year:		
Interim dividend paid of HK17 cents (2007: HK15 cents) per share	445,458	**504,981**
Special interim dividend paid of HK7 cents (2007: Nil) per share	—	**207,934**
Final dividend for year ended 30 June 2007 paid of HK20 cents (2007: year ended 30 June 2006 paid of HK17 cents) per share	504,564	**594,065**
	950,022	**1,306,980**
Final dividend proposed of HK13 cents (2007: HK20 cents) per share and special final dividend proposed of HK28 cents (2007: Nil) per share	594,065	**1,217,896**

A final dividend and a special final dividend in respect of the financial year 2008 of HK13 cents per share and HK28 cents per share respectively, totalling approximately HK$1,217,896,000 are proposed by the Board. The dividends are subject to approval by shareholders at the forthcoming annual general meeting and have not been included as liabilities in these consolidated financial statements. The proposed final dividend and special final dividend are calculated based on the number of shares in issue at the date of approval of these consolidated financial statements.

13. EARNINGS PER SHARE

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

	2007 HK$'000	***2008 HK$'000***
Earnings for the purpose of basic and diluted earnings per share	1,348,531	**1,997,067**

	2007 *Number of shares*	***2008 Number of shares***
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,967,084,973	**2,969,807,103**
Effect of dilutive potential ordinary shares:		
Warrants	442,152	**—**
Share options	722,393	**448,461**
Unvested share awarded	151,860	**504,444**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,968,401,378	**2,970,760,008**

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.

14. RETIREMENT BENEFITS PLANS

The employees of the Group participate in the Mandatory Provident Fund ("MPF") Scheme operated by its ultimate holding company. Mandatory contributions to the scheme are made by both the employer and employees at 5% of the employees' monthly relevant income capped at HK$20,000 per employee. At 30 June 2008, there were no forfeited contributions available to reduce future obligations. The contributions made by the Group to the MPF Scheme for the year are approximately HK$440,000 (2007: HK$325,000).

The employees of the Group's PRC jointly controlled entities are members of state-managed retirement benefit schemes operated by the PRC Government. These entities are required to contribute 18% of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the jointly controlled entities with respect to the retirement benefit schemes is to make the specified contributions. The Group's proportionate share of the contributions made by the jointly controlled entities for the year are approximately HK$7,862,000 (2007: HK$7,367,000).

15. PROPERTY AND EQUIPMENT

	Toll expressways HK$'000	Motor vehicles HK$'000	Ancillary traffic facilities, furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 July 2006	10,716,455	29,771	103,065	8,665	10,857,956
Exchange adjustments	486,323	1,745	5,739	481	494,288
Additions	—	9,912	8,638	704,407	722,957
Transfer	(10,938)	—	56,139	(45,201)	—
Disposals	—	(6,379)	(2,939)	—	(9,318)
At 30 June 2007	11,191,840	35,049	170,642	668,352	12,065,883
Change in profit sharing ratio of a jointly controlled entity	(333,273)	(794)	(6,218)	(702)	(340,987)
Exchange adjustments	758,660	2,413	16,423	72,134	849,630
Additions	—	4,959	12,530	1,239,612	1,257,101
Transfer	102,603	—	26,511	(129,114)	—
Disposal of a jointly controlled entity	(2,387,751)	(14,514)	(14,588)	(601)	(2,417,454)
Disposals/written off	(47,460)	(1,324)	(126)	—	(48,910)
At 30 June 2008	**9,284,619**	**25,789**	**205,174**	**1,849,681**	**11,365,263**
DEPRECIATION					
At 1 July 2006	1,433,512	22,685	20,802	—	1,476,999
Exchange adjustments	72,278	1,429	1,557	—	75,264
Charge for the year	300,884	3,233	14,652	—	318,769
Transfer	(1,354)	—	1,354	—	—
Eliminated on disposals	—	(5,965)	(2,761)	—	(8,726)
At 30 June 2007	1,805,320	21,382	35,604	—	1,862,306
Change in profit sharing ratio of a jointly controlled entity	(95,301)	(387)	(1,081)	—	(96,769)
Exchange adjustments	146,584	1,373	3,891	—	151,848
Charge for the year	291,123	3,424	17,969	—	312,516
Disposal of a jointly controlled entity	(190,860)	(12,749)	(7,229)	—	(210,838)
Eliminated on disposals/written off	(47,460)	(842)	(84)	—	(48,386)
At 30 June 2008	**1,909,406**	**12,201**	**49,070**	**—**	**1,970,677**
CARRYING AMOUNTS					
At 30 June 2007	9,386,520	13,667	135,038	668,352	10,203,577
At 30 June 2008	**7,375,213**	**13,588**	**156,104**	**1,849,681**	**9,394,586**

The toll expressways are situated on land under medium-term land use right in the PRC.

16. ADDITIONAL INVESTMENT COST IN JOINTLY CONTROLLED ENTITIES

	HK$'000
COST	
At 1 July 2006 and 30 June 2007	2,073,512
Change in profit sharing ratio of a jointly controlled entity	72,789
Undertaken by a jointly controlled entity	(382,722)
Disposal of a jointly controlled entity	(253,795)
At 30 June 2008	**1,509,784**
AMORTISATION	
At 1 July 2006	310,161
Charge for the year	57,613
At 30 June 2007	367,774
Change in profit sharing ratio of a jointly controlled entity	14,391
Charge for the year	36,889
Disposal of a jointly controlled entity	(22,645)
At 30 June 2008	**396,409**
CARRYING AMOUNTS	
At 30 June 2007	1,705,738
At 30 June 2008	**1,113,375**

During the year, GS Superhighway JV undertook and repaid additional development expenditure for the construction and development of the toll expressway operated by GS Superhighway JV previously incurred by the Group to the extent amounting to RMB725,140,000 (approximately equivalent to HK$736,003,000). Such repayment received is eliminated to the extent of the Group's 48% share in the repayment made by the GS Superhighway JV. Accordingly, the unamortised additional investment cost is reduced by approximately HK$382,722,000, to the extent of the repayment portion after elimination.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Particulars of the Group's jointly controlled entities at 30 June 2008 and 2007 are as follows:

Name of company	*Place of establishment*	*Registered capital*	*Principal activity*	*Proportion of registered capital contribution*
廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited	The PRC	nil (note (i))	Development, operation and management of an expressway	Not applicable
廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited	The PRC	RMB2,303,000,000	Development, operation and management of an expressway	50%
廣州東南西環高速公路有限公司 Guangzhou E-S-W Ring Road Company Limited (disposed of during the year)	The PRC	US$55,000,000	Development, operation and management of an expressway	Not applicable

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

All jointly controlled entities are sino-foreign co-operative joint venture enterprises established under the PRC laws.

The principal terms of the joint venture agreements entered into between the relevant subsidiaries and the corresponding joint venture partners under which the jointly controlled entities operate are as follows:

(i) GS Superhighway JV

GS Superhighway JV is established to undertake the construction, operation and management of an expressway in Guangdong Province of the PRC. Phase I of the project comprises an expressway running between Shenzhen and Guangzhou ("GS Superhighway"). The operation period is 30 years from the official opening date 1 July 1997. At the end of the operation period, all the immovable assets and facilities of GS Superhighway JV will revert to the PRC joint venture partner without compensation.

The development of phases II and III of the project, comprising a major transportation route in western Pearl River Delta, is undertaken by West Route JV.

The Group's entitlement to the profit of the toll operations of GS Superhighway JV is 50% for the initial 10 years of operation period, 48% for the next 10 years and 45% for the last 10 years of the operation period.

During the year, the registered capital amounting to HK$702,000,000 previously injected by the Group to GS Superhighway JV and the additional development expenditure for the construction and development of GS Superhighway to the extent of RMB725,140,000 previously incurred by the Group have been repaid by GS Superhighway JV during the year.

(ii) West Route JV

West Route JV is established to undertake the construction, operation and management of an expressway linking Guangzhou, Zhongshan and Zhuhai ("Western Delta Route"). Phase I of Western Delta Route ("Phase I West") was officially opened on 30 April 2004 and the operation period for Phase I West is 30 years commencing from 17 September 2003. The total investment for the Phase I West is RMB1,680,000,000, 35% of which was funded by the registered capital of West Route JV amounting to RMB588,000,000 (equivalent to approximately HK$668,556,000) which had been contributed by the Group and the West Route JV PRC partner in equal share.

The estimated total investment for the Phase II of Western Delta Route ("Phase II West") is RMB4,900,000,000, 35% of which is to be funded by an increase in the registered capital of West Route JV by RMB1,715,000,000 in total to be contributed by the Group and the West Route JV PRC partner in equal share (i.e. each to contribute RMB857,500,000), of which the Group and the West Route JV PRC partner had contributed approximately RMB761,449,000 (equivalent to approximately HK$865,768,000) and RMB443,000,000 (equivalent to approximately HK$503,691,000) respectively as at 30 June 2008. The expiration date of the joint venture co-operation period for the West Route JV has been extended from 16 September 2033 to 16 September 2038. As at 30 June 2008, the approved registered capital of West Route JV was RMB2,303,000,000.

The Group is entitled to 50% of the distributable profits from operation of West Route JV. At the end of the joint venture co-operation period, all the immovable assets and facilities of West Route JV will revert to relevant PRC government department which regulates transportation without compensation. As stated in the joint venture agreement of West Route JV, the joint venture partners are entitled to the repayment of registered capital contribution with no specific repayment term. Such repayment of registered capital contribution is also subject to the applicable PRC rules and regulations.

In September 2005, the Group conditionally amended the agreements with the PRC partner of West Route JV for the investment in and the planning, design, construction and operation of the Phase III of Western Delta Route ("Phase III West") through West Route JV (the "2005 Phase III Amendment Agreements"). Subject to approval of the relevant PRC authorities, the estimated total investment for Phase III West is RMB3,260,000,000, 35% of which is to be funded by an increase in the registered capital of West Route JV by RMB1,141,000,000 in total to be contributed by the Group and West Route JV PRC partner in equal share (i.e. each to contribute RMB570,500,000). The toll collection period for Phase III West will be subject to approval of the relevant PRC authorities.

Subsequent to the balance sheet date, the Group entered into amendment agreements with West Route JV PRC partner, details of which are set out in note 37.

(iii) Ring Road JV

Ring Road JV was established to undertake the construction, operation and management of an expressway running along the eastern, southern and western fringes of the Guangzhou urban areas ("ESW Ring Road"). The operation period is 30 years commencing from 1 January 2002 and ESW Ring Road was officially opened in January 2002. As at 30 June 2007, the Group was entitled to 45% of the net cash flow (that is, gross operating income net of operating expenses and tax) of ESW Ring Road.

During the year, the Group disposed of its entire 45% interest in Ring Road JV and other rights, duties and obligations in the ESW Ring Road project, details of which are set out in note 8.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities accounted for by the Group using proportionate consolidation (before elimination of transactions, balances, income and expenses with group companies) are set out below:

In respect of the year ended 30 June 2007:

	GS Superhighway JV HK$'000	*Ring Road JV HK$'000*	*West Route JV HK$'000*	*Total HK$'000*
Current assets	458,761	273,876	18,928	751,565
Non-current assets	5,364,612	1,945,243	1,400,727	8,710,582
Current liabilities	649,766	44,709	192,199	886,674
Non-current liabilities	3,470,250	1,526,468	715,244	5,711,962
Income	2,018,154	221,796	68,420	2,308,370
Expenses	(618,703)	(343,318)	(46,255)	(1,008,276)
Profit (loss) before tax	1,399,451	(121,522)	22,165	1,300,094
Income tax expenses	(113,289)	(40,456)	(705)	(154,450)
Profit (loss) after tax	1,286,162	(161,978)	21,460	1,145,644

In respect of the year ended 30 June 2008:

	GS Superhighway JV HK$'000	***West Route JV HK$'000***	***Total HK$'000***
Current assets	**226,754**	**119,377**	**346,131**
Non-current assets	**6,070,122**	**2,531,297**	**8,601,419**
Current liabilities	**1,412,466**	**308,308**	**1,720,774**
Non-current liabilities	**3,470,537**	**1,283,077**	**4,753,614**
Income	**1,992,105**	**207,041**	**2,199,146**
Expenses	**(644,987)**	**(95,989)**	**(740,976)**
Profit before tax	**1,347,118**	**111,052**	**1,458,170**
Income tax expenses	**(171,051)**	**(5,354)**	**(176,405)**
Profit after tax	**1,176,067**	**105,698**	**1,281,765**

Note: During the year, the Group disposed of its entire 45% interest in Ring Road JV and other rights, duties and obligations in the ESW Ring Road project, details of which are set out in note 8.

18. ADDITIONAL INVESTMENT COST IN TOLL EXPRESSWAY PROJECT UNDER DEVELOPMENT

The amount represents the additional investment cost incurred by the Group on the development of Phase II West and Phase III West.

19. PREPAID LEASE PAYMENTS

The amount represents the Group's proportionate share of the medium-term land use rights in the PRC of West Route JV which is charged to the consolidated income statement on a straight-line basis over the joint venture period of West Route JV.

Analysis of the carrying amounts:

	2007 HK$'000	**2008 HK$'000**
Prepaid lease prepayments	130,560	**139,067**
Less: Portion to be charged to the consolidated income statement in next year included under current assets	(4,846)	**(5,371)**
	125,714	**133,696**

20. BALANCES WITH JOINTLY CONTROLLED ENTITIES

	2007 HK$'000	**2008 HK$'000**
Registered capital contributions made by the Group to the following jointly controlled entities:		
GS Superhighway JV	351,000	**—**
Ring Road JV	116,891	**—**
West Route JV	189,832	**502,119**
	657,723	**502,119**
Loans made by the Group to the following jointly controlled entities:		
GS Superhighway JV	141,453	**28,526**
Ring Road JV	7,055	**—**
	148,508	**28,526**
	806,231	**530,645**

The balances represent registered capital contributed and loans to jointly controlled entities made by the Group after elimination of the Group's proportionate share of the corresponding amounts of the jointly controlled entities.

The registered capital contributed by the Group to jointly controlled entities does not have a specific repayment term. Registered capital contribution made by the Group to GS Superhighway JV of approximately HK$330,020,000 as at 30 June 2007 carried interest at Hong Kong prime rate, the remaining registered capital contribution made by the Group to the jointly controlled entities as at 30 June 2007 were interest-free. The amount was fully repaid by GS Superhighway JV during the year (see note 17 for details).

The registered capital contribution made by the Group to Ring Road JV was repaid upon the Disposal during the year (see note 8 for details).

The effective interest rates adopted for measurement at fair value at initial recognition of the registered capital contribution made by the Group to West Route JV range from 6.48% to 7.05% (2007: 6.40% to 6.48%) and to Ring Road JV as at 30 June 2007 was 5.65%.

The loans made by the Group to jointly controlled entities are unsecured and repayable out of the net cash surplus from the operations of the jointly controlled entities. The loan made by the Group to GS Superhighway JV carries interest at Hong Kong prime rate. The loan made by the Group to Ring Road JV was interest-free and was assigned to the PRC joint venture partner of Ring Road JV upon the Disposal during the year (see note 8 for details). The effective interest rate adopted for measurement of fair value at initial recognition of the loan made to Ring Road JV was 6.66%.

21. OTHER RECEIVABLES/OTHER RECEIVABLE FROM A JOINT VENTURE PARTNER AND A JOINTLY CONTROLLED ENTITY

The following is an analysis of the Groups' share on other receivables outstanding at the balance sheet date:

	2007 HK$'000	2008 HK$'000
Rental income receivables	3,915	**2,605**
Toll fee income receivables	31,829	**31,554**
Others	30,558	**52,717**
Less: Allowance for doubtful debts	(3,358)	**(8,399)**
Total other receivables	62,944	**78,477**

Included in the Group's share of other receivable balances are debtors with aggregate carrying amount of approximately HK$5,037,000 (2007: HK$7,807,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group and its jointly controlled entities does not hold any collateral over these balances.

Aging of the Group's share of other receivables which are past due but not impaired

	2007 HK$'000	2008 HK$'000
1–30 days	3,100	**2,281**
over 120 days	4,707	**2,756**
Total	7,807	**5,037**

The Group and its jointly controlled entities have provided fully for all receivables overdue for over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable.

Movement in the Group's share of the allowance for doubtful debts

	2007 HK$'000	2008 HK$'000
Balance at beginning of the year	3,181	**3,358**
Change in profit sharing ratio	—	**(134)**
Impairment loss recognised on a receivable	—	**4,572**
Exchange adjustments	177	**603**
Balance at end of the year	3,358	**8,399**

Included in the Group's share of the allowance for doubtful debts are individually impaired other receivables with a balance of HK$8,399,000 (2007: HK$3,358,000) which has severe financial difficulties. The Group and its jointly controlled entities do not hold any collateral over these balances.

The other receivable from a joint venture partner represented the Group's proportionate share of the other receivable of Ring Road JV from joint venture partner of Ring Road JV. The amount was unsecured, interest-free and deconsolidated upon the Disposal during the year (see note 8 for details).

The other receivable from a jointly controlled entity represents the other receivable from GS Superhighway JV after elimination of the Group's proportionate share of the corresponding amount of the jointly controlled entity. The amount is unsecured, interest-free and repayable on demand.

22. PLEDGED BANK BALANCES AND DEPOSITS OF JOINTLY CONTROLLED ENTITIES, AND BANK BALANCES AND CASH

Pledged bank balances and deposits of jointly controlled entities, and bank balances and cash include time deposits of HK$6,012,890,000 (2007: HK$4,128,116,000) with original maturities range from 7 days to 6 months that carry interest at prevailing interest rates range from 1% to 3.78% (2007: 1.62% to 5.30%). Remaining bank balances and cash carried interest at market rates which range from 0.72% to 2.62% (2007: 0.72% to 5.30%).

The pledged bank balances and deposits of jointly controlled entities were for the purpose of securing general banking facilities granted to respective jointly controlled entities of the Group. At 30 June 2008, other than the amount of approximately HK$27,288,000 (2007: HK$25,650,000), the remaining amount of approximately HK$207,977,000 (2007: HK$367,204,000) was available for use by the jointly controlled entities by servicing notices to relevant banks providing the general banking facilities.

23. SHARE CAPITAL

	Number of shares	Nominal amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2006, 30 June 2007 and 30 June 2008	**10,000,000,000**	**1,000,000**
Issued and fully paid:		
At 1 July 2006	2,949,618,286	294,962
Issue of shares upon exercise of warrants	18,307,997	1,831
Issue of shares upon exercise of share options	2,400,000	240
At 30 June 2007	2,970,326,283	297,033
Issue of shares upon exercise of share options	152,000	15
At 30 June 2008	**2,970,478,283**	**297,048**

Warrants

Pursuant to the written resolutions of the then sole shareholder of the Company passed on 16 July 2003, the instrument constituting the warrants and the creation of the warrants of the Company (the "Warrants") were approved. The Warrants carrying subscription rights in aggregate of HK$365,890,598 were created and issued in registered form on 5 August 2003 which conferred the right to registered holders to subscribe for 87,533,636 ordinary shares of the Company at an initial subscription price per share of HK$4.18 (subject to adjustment) exercisable during a period of three years commencing 6 August 2003 (the "Subscription Rights").

During the period from 1 July 2006 up to the expiry of the Warrants on 5 August 2006, the Subscription Rights of HK$76,527,427 were exercised by registered holders resulting in the issuance of 18,307,997 ordinary shares of the Company.

Share option scheme

A share option scheme (the "Option Scheme") was adopted by the Company pursuant to the written resolutions of the then sole shareholder of the Company passed on 16 July 2003 and approved by the shareholders of HH, at an extraordinary general meeting held on 16 July 2003. The Option Scheme shall be valid and effective for a period of 10 years and the purpose of which is to provide the Company with a means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to (i) any executive or non-executive directors including independent non-executive directors or any employees of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professionals and other advisers to each member of the Group; (iv) any chief executives, or substantial shareholders of the Company; (v) any associates of director, chief executives, or substantial shareholders of the Company; and (vi) any employees of substantial shareholders of the Company or for such other purposes as the Board of Directors may approve from time to time.

Share options granted must be taken up within 28 days from the date of the offer letter upon payment of HK$1, payable as consideration on acceptance, which is recognised in the consolidated income statement when received.

In September 2004, the Company granted share options to certain employees to subscribe for ordinary shares in the Company.

23. SHARE CAPITAL *(continued)*

Details of the movement of share options of the Company during the year ended 30 June 2007 are as follows:

	Date of grant	Exercise price	Balance of outstanding options at 1 July 2006	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance of outstanding options at 30 June 2007	Exercise period
		HK$						
Director:								
Leo Kwok Kee LEUNG	8 September 2004	4.875	2,000,000	—	(2,000,000)	—	—	8 September 2004 to 7 September 2007
An employee	8 September 2004	4.875	400,000	—	(400,000)	—	—	8 September 2004 to 7 September 2007
Total			2,400,000	—	(2,400,000)	—	—	

The weighted average closing price of the shares on the dates immediately before the options were exercised by Mr. Leo Kwok Kee LEUNG and the employee during the year ended 30 June 2007 were HK$7.36 and HK$6.61 respectively.

The financial impact of these share options granted is not recorded in the Group's consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in prior years as the Group has taken advantages of the transitional provisions set out in IFRS 2 and all these options were granted and vested before 1 July 2005. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Share options which lapse or are cancelled prior to their exercise date are deleted from the register or outstanding options.

On 17 October 2006, share options to subscribe for ordinary shares in the Company were granted to certain employees of the Company.

Details of the movements of share options of the Company during the year ended 30 June 2007 are as follows:

Exercise price	Balance of outstanding options at 1 July 2006	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance of outstanding options at 30 June 2007	Vesting date	Exercise period
HK$							
5.858	—	1,240,000	—	—	1,240,000	1 December 2007	1 December 2007 to 30 November 2013
5.858	—	1,240,000	—	—	1,240,000	1 December 2008	1 December 2008 to 30 November 2013
5.858	—	1,240,000	—	—	1,240,000	1 December 2009	1 December 2009 to 30 November 2013
5.858	—	1,240,000	—	—	1,240,000	1 December 2010	1 December 2010 to 30 November 2013
5.858	—	1,240,000	—	—	1,240,000	1 December 2011	1 December 2011 to 30 November 2013
Total	—	6,200,000	—	—	6,200,000		

23. SHARE CAPITAL *(continued)*

Details of the movements of share options of the Company during the year ended 30 June 2008 are as follows:

Exercise price	Balance of outstanding options at 1 July 2007	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance of outstanding options at 30 June 2008	Vesting date	Exercise period
HK$							
5.858	1,240,000	—	(152,000)	—	**1,088,000**	1 December 2007	1 December 2007 to 30 November 2013
5.858	1,240,000	—	—	(280,000)	**960,000**	1 December 2008	1 December 2008 to 30 November 2013
5.858	1,240,000	—	—	(280,000)	**960,000**	1 December 2009	1 December 2009 to 30 November 2013
5.858	1,240,000	—	—	(280,000)	**960,000**	1 December 2010	1 December 2010 to 30 November 2013
5.858	1,240,000	—	—	(280,000)	**960,000**	1 December 2011	1 December 2011 to 30 November 2013
Total	6,200,000	—	(152,000)	(1,120,000)	**4,928,000**		

The weighted average closing price of the shares on the dates immediately before the options were exercised by the employees during the year ended 30 June 2008 and at the dates of exercise were HK$6.64 and HK$6.65 respectively.

The total fair values of the options determined at the date of grant on 17 October 2006 using the Binomial option pricing model were HK$5,814,000 of which 1,120,000 share options with fair value of approximately HK$462,000 were lapsed during the year ended 30 June 2008.

The following assumptions were used to calculate the fair values of share options:

Closing share price at date of grant	HK$5.700
Weighted average exercise price	HK$5.858
Option life	7 years
Expected volatility	23%
Expected dividend yield	4.75%
Risk free rate	3.969%
Suboptimal exercise factor	2

The expected volatility is calculated based on rolling 2-year volatility of the Company's share price over last 3 years up to 17 October 2006. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The Group recognised expenses of HK$1,928,000 for the year (2007: HK$1,743,000) in relation to share options granted by the Company.

23. SHARE CAPITAL (continued)

On 19 November 2007, share options to subscribe for ordinary shares in the Company were granted to certain employees of the Company. The details of the share options granted are as follows:

Exercise price	Balance of outstanding options at 1 July 2006	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance of outstanding options at 30 June 2008	Vesting date	Exercise period
HK$							
6.746	—	152,000	—	—	**152,000**	1 December 2008	1 December 2008 to 30 November 2014
6.746	—	152,000	—	—	**152,000**	1 December 2009	1 December 2009 to 30 November 2014
6.746	—	152,000	—	—	**152,000**	1 December 2010	1 December 2010 to 30 November 2014
6.746	—	152,000	—	—	**152,000**	1 December 2011	1 December 2011 to 30 November 2014
6.746	—	152,000	—	—	**152,000**	1 December 2012	1 December 2012 to 30 November 2014
	—	760,000	—	—	**760,000**		

The total fair values of the options determined at the date of grant using the Binomial model were HK$705,000.

The following assumptions were used to calculate the fair values of share options:

Closing share price at date of grant	HK$6.55
Weighted average exercise price	HK$6.746
Option life	7.03 years
Expected volatility	23.83%
Expected dividend yield	5.78%
Risk-free rate	3.33%
Suboptimal exercise factor	2

The Group recognised expenses of HK$198,000 for the year in relation to share options granted by the Company.

The Binomial option pricing model has been used to estimate the fair value of the options.

The expected volatility is calculated based on the 5 year's weekly historical volatility of the ordinary shares of the Company from the date of listing to 19 November 2007, which is around 5 years. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimates. The value of an option varies with different variables of certain subjective assumptions.

Share award scheme

On 25 January 2007, an employees' share award scheme ("Share Award Scheme") was adopted by the Company. The Share Award Scheme shall be valid and effective for a period of 15 years commencing from 25 January 2007. Pursuant to the rules of the Share Award Scheme, the Company has set up a trust, HHI Employees' Share Award Scheme Trust, for the purpose of administering the Share Award Scheme and holding the awarded shares before they vest.

During the year ended 30 June 2007, a total of 1,940,000 shares in the Company had been awarded to certain directors and an employee of the Company at nil consideration. The awardees shall not dispose of, nor enter into any agreement to dispose of the relevant awarded shares in the 12-month period commencing on the vesting date thereof.

23. SHARE CAPITAL *(continued)*

Details of the movement of awards of the shares of the Company during the year ended 30 June 2007 are as follows:

	Vesting date	Balance of outstanding awarded shares at 1 July 2006	Shares awarded during the year	Shares vested during the year	Balance of outstanding awarded shares at 30 June 2007
Directors	25 January 2007	—	1,140,000	(1,140,000)	—
	25 January 2008	—	340,000	—	340,000
	25 January 2009	—	340,000	—	340,000
An employee	25 January 2007	—	40,000	(40,000)	—
	25 January 2008	—	40,000	—	40,000
	25 January 2009	—	40,000	—	40,000
Total		—	1,940,000	(1,180,000)	760,000

Details of the movement of the awarded shares of the Company during the year ended 30 June 2008 are as follows:

	Vesting date	Balance of outstanding awarded shares at 1 July 2007	Shares awarded during the year	Shares vested during the year	Balance of outstanding awarded shares at 30 June 2008
Directors	25 January 2008	340,000	—	(340,000)	**—**
	25 January 2009	340,000	—	—	**340,000**
An employee	25 January 2008	40,000	—	(40,000)	**—**
	25 January 2009	40,000	—	—	**40,000**
Total		760,000	—	(380,000)	**380,000**

During the year ended 30 June 2007, 1,940,000 shares of the Company were acquired at a total cost of HK$14,129,000 of which 1,180,000 shares have been vested and transferred to the relevant directors and an employee. Another 380,000 shares have been vested and transferred during the year ended 30 June 2008. These vested shares are held in escrow on behalf of directors and an employee until the 12-month lock-up period has expired.

At 30 June 2008, the outstanding awarded shares of 380,000 shares (2007: 760,000 shares) with an aggregate nominal value of HK$38,000 (2007: HK$76,000) were held by HHI Employees' Share Award Scheme Trust. In accordance with the trust deed of HHI Employees' Share Award Scheme Trust, the relevant trustee shall not exercise the voting rights attached to such shares.

The total fair value of the awarded shares of HK$12,369,000 was determined at the date of grant based on the value of the shares of the Company at the date of the award adjusted for the effect of 12-month lock-up period, estimated using the Black-Scholes option pricing model, and the present value of the dividend received during the vesting period of which HK$2,471,000 (2007: HK$9,284,000) was recorded as expense in the current year.

23. SHARE CAPITAL *(continued)*

The following assumptions were used to calculate the fair value of implied put option of the awarded shares (arising as a result of the 12-month lock-up period) with the Black-Scholes option pricing model:

Closing share price at date of grant	HK$7.38
Option life	1–3 years
Expected volatility	
— First year	25.18%
— Second year	21.80%
— Third year	23.47%
Expected dividend yield	4.36%
Risk-free rate	
— First year	3.89%
— Second year	3.92%
— Third year	3.93%

The variables and assumptions used in computing the fair value of the implied put option of the awarded shares and the fair value of the awarded shares as a whole are based on the directors' best estimates. The value of awarded share varies with different variables of certain subjective assumptions.

24. SHARE PREMIUM AND RESERVES

Included in the Group's reserves are the Group's proportionate share of post-acquisition reserves of the jointly controlled entities as follows:

	2007 *HK$'000*	**2008** **HK$'000**
PRC statutory reserves	106,353	**109,826**
Translation reserve	200,221	**221,982**
Retained profits	1,630,830	**1,214,226**
	1,937,404	**1,546,034**

Pursuant to the relevant PRC regulations applicable to the Group's jointly controlled entities, the jointly controlled entities have to provide for the PRC statutory reserves before declaring dividends to the joint venture partners on the basis determined and approved by their respective board of directors. The reserves, which include a general fund and development fund, are not distributable until the end of the operation period, at which time any remaining balance of the reserves can be distributed to the joint venture partners upon dissolution of the jointly controlled entities. The distributable profits of the jointly controlled entities are determined based on their retained profits calculated in accordance with the PRC accounting rules and regulations.

THE COMPANY

The Company's reserves available for distribution represent the share premium and retained profits. Under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of a dividend, the Company is able to pay its debt as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can only be distributed out of the retained profits and share premium of the Company. At 30 June 2008, the Company's reserves available for distribution to its shareholders amounted to approximately HK$9,200,763,000 (2007: HK$9,102,571,000), comprising retained profits and share premium of approximately HK$1,725,672,000 (2007: HK$1,628,498,000) and HK$7,475,091,000 (2007: HK$7,474,073,000) respectively.

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED/OTHER PAYABLE TO A JOINTLY CONTROLLED ENTITY

The other payables, accruals and deposits received represent the construction payables and accrued charges on payroll and utility expenses.

Analysis of the carrying amounts of other payables, accruals and deposits received:

	2007 *HK$'000*	***2008*** ***HK$'000***
Current portion of other payables, accruals and deposits received	257,449	**383,145**
Non-current portion of other payables	—	**55,267**
	257,449	**438,412**

The non-current other payables are interest-free. The effective interest rate adopted for measurement of fair value at initial recognition of non-current other payables is 7.05% (2007: N/A).

The other payable to a jointly controlled entity represented other payable to Ring Road JV by the Group not eliminated on the adoption of proportionate consolidation for the jointly controlled entity. The amount was unsecured, interest-free and assigned to the PRC joint venture partner of Ring Road JV upon the Disposal during the year, details of which are set out in note 8.

26. BANK AND OTHER LOANS

	2007 *HK$'000*	***2008*** ***HK$'000***
Bank loans, secured	5,210,224	**4,706,253**
Other loan, unsecured	4,839	**4,933**
	5,215,063	**4,711,186**
The borrowings are repayable as follows:		
On demand or within one year	219,776	**267,109**
In the second year	250,057	**244,756**
In the third to fifth years inclusive	1,028,363	**1,005,245**
After five years	3,716,867	**3,194,076**
	5,215,063	**4,711,186**
Less: Amounts due for settlement within one year (shown under current liabilities)	(219,776)	**(267,109)**
Amounts due for settlement after one year	4,995,287	**4,444,077**

26. BANK AND OTHER LOANS *(continued)*

Analysis of the Group's borrowings by currency:

	At 30 June 2007			
	US$ loans HK$'000	*HK$ loans HK$'000*	*RMB loans HK$'000*	*Total HK$'000*
Bank loans	3,195,488	499,847	1,514,889	5,210,224
Other loan	—	—	4,839	4,839
	3,195,488	499,847	1,519,728	5,215,063

	At 30 June 2008			
	US$ loans HK$'000	***HK$ loans HK$'000***	***RMB loans HK$'000***	***Total HK$'000***
Bank loans	**2,949,592**	**341,492**	**1,415,169**	**4,706,253**
Other loan	**—**	**—**	**4,933**	**4,933**
	2,949,592	**341,492**	**1,420,102**	**4,711,186**

At 30 June 2008, the Group's proportionate share on the bank loans of GS Superhighway JV are denominated in foreign currency of US$ amounted to HK$2,949,592,000 (2007: HK$3,195,488,000) and HK$ amounted to HK$341,492,000 (2007: nil).

At 30 June 2007, bank loans of HK$499,847,000 were denominated in currencies other than the functional currency of Ring Road JV, the relevant borrower of the Group.

The bank loans at 30 June 2007 included bank loans of RMB889,500,000 (equivalent to approximately HK$912,627,000) and HK$499,847,000 borrowed by the Ring Road JV to which, pursuant to relevant agreements entered into among the joint venture partners of the Ring Road JV, the Group was responsible for servicing.

At 30 June 2008, the Group had available HK$3,600,000,000 (2007: HK$3,600,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Other than the amount of the other loan of approximately HK$4,933,000 (2007: HK$4,839,000) at 30 June 2008, which is interest-free and repayable at the end of the operation period of the GS Superhighway JV (i.e. June 2027) ("GS interest-free loan"), bank loans carry interest at commercial lending rates. The effective interest rate adopted for measurement at fair value at initial recognition of the GS interest-free loan is 6.75%.

The interest rates for bank loans for the year were ranged from 2.80% to 7.05% (2007: 5.00% to 6.48%).

27. BALANCES WITH JOINT VENTURE PARTNERS

	2007 *HK$'000*	***2008*** ***HK$'000***
Registered capital contributions made by joint venture partners of:		
Ring Road JV	95,638	**—**
West Route JV	192,696	**360,154**
	288,334	**360,154**
Loans made by joint venture partners of:		
Ring Road JV	32,080	**—**
West Route JV	282,150	**—**
	314,230	**—**
	602,564	**360,154**

The balances represent the Group's proportionate share of registered capital contributions and loans made to jointly controlled entities by joint venture partners.

The registered capital contributions from joint venture partners to jointly controlled entities are interest-free and do not have a specific repayment term. The effective interest rate adopted for measurement at fair value at initial recognition of the registered capital contribution made by joint venture partners to West Route JV ranged from 6.48% to 7.05% (2007: 6.40% to 6.48%) and to Ring Road JV as at 30 June 2007 was 5.65%.

Loans made by joint venture partners to jointly controlled entities are unsecured and are repayable out of the net cash surplus from the operations of the jointly controlled entities. The loan made by joint venture partner of Ring Road JV was interest free and deconsolidated upon the Disposal during the year, details of which are set out in note 8. The effective interest rate adopted for measurement of fair value at initial recognition of the loan made by joint venture partner of Ring Road JV was 6.66%.

The loan made by joint venture partner of West Route JV carried interest at commercial lending rates and the amount was fully repaid during the year.

28. DEFERRED TAX LIABILITIES

The deferred tax liabilities represent the Group's proportionate share of such liabilities of the jointly controlled entities. The major components and movements in the deferred tax liabilities (assets) are as follows:

	Accelerated tax depreciation HK$'000	***Undistributed earnings of PRC jointly controlled entities HK$'000***	***Tax losses HK$'000***	***Total HK$'000***
At 1 July 2006	227,449	—	(34,000)	193,449
Exchange adjustments	13,000	—	(1,894)	11,106
Charge to the consolidated income statement for the year (note 9)	14,859	—	35,894	50,753
At 30 June 2007	255,308	—	—	255,308
Exchange adjustments	20,988	—	—	20,988
Disposal of a jointly controlled entity	(154,859)	—	—	(154,859)
Charge to the consolidated income statement for the year (note 9)	996	68,008	—	69,004
Effect of change in tax rate (note 9)	105,524	—	—	105,524
At 30 June 2008	**227,957**	**68,008**	**—**	**295,965**

28. DEFERRED TAX LIABILITIES *(continued)*

At 30 June 2007, Ring Road JV had unused tax losses of approximately RMB416,863,000 or equivalent to HK$427,702,000 available for offset against its future profits as analysed as follows:

	2007 *HK$'000*	***2008*** ***HK$'000***
Carried forward to		
December 2007	176,811	**—**
December 2008	155,475	**—**
December 2009	84,167	**—**
December 2010	11,249	**—**
	427,702	**—**

No deferred tax asset had been recognised in respect of the unused tax losses as at 30 June 2007 as it was uncertain whether sufficient taxable profits would be available prior to the expiry date to allow utilisation of the carrying forward tax losses.

At the balance sheet date, the deferred tax liabilities on temporary differences associated with the Group's proportionate share on the undistributed earnings of the PRC jointly controlled entities derived on or after 1 January 2008 amounting to approximately HK$68,008,000 (2007: Nil) has been recognised.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, share premium, retained earnings and other reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issue of new debt or the repayment of existing debt.

The management monitors the utilisation of bank borrowings and ensures full compliance with loan covenants during the year.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007 *HK$'000*	***2008*** ***HK$'000***
Financial assets		
Loans and receivables including cash and cash equivalents	5,304,250	**6,858,240**
Financial liabilities		
Amortised cost	6,195,899	**5,491,529**

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The directors of the Company monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner.

The Group employs a conservative strategy regarding its risk management and does not engage in trading of any financial instruments, including derivative financial instruments, for hedging on speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures.

(i) Foreign currency risk management

Certain balances with jointly controlled entities, other receivables, bank balances and cash, other payables, bank and other loans, balances with jointly venture partners and other interest payables are denominated in foreign currencies which are different from the respective functional currency of the Company, its subsidiaries and its jointly controlled entities.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Company, its subsidiaries and its jointly controlled entities at the reporting date are as follows:

	Assets		Liabilities	
	2007 *HK$*	***2008*** ***HK$***	*2007* *HK$*	***2008*** ***HK$***
United States dollars	3,587,962	**3,050,565**	3,329,859	**2,953,767**
Hong Kong dollars	495,597	**31,795**	506,961	**349,412**

The Group and its jointly controlled entities currently do not have a foreign currency hedging policy in respect of foreign currency exposure.

Sensitivity analysis

As Hong Kong dollars are pegged to United States dollars, it is assumed there would be no material currency risk exposure between these two currencies.

The foreign currency risk of the Group and its jointly controlled entities is mainly concentrated on the fluctuation of the Renminbi against the Hong Kong dollars and United States dollars. The following sensitively analysis includes only currency risk related to United States dollar and Hong Kong dollars denominated monetary items of group entities and the Group's jointly controlled entities whose functional currencies are RMB. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate and all other variables are held constant.

	2007		***2008***	
	Renminbi strengthen (weaken)	*Increase (Decrease) in profit for the year HK$'000*	***Renminbi strengthen (weaken)***	***Increase (Decrease) in profit for the year HK$'000***
United States dollars	5%	148,218	**5%**	**134,328**
	(5%)	(148,218)	**(5%)**	**(134,328)**
Hong Kong dollars	5%	568	**5%**	**68,483**
	(5%)	(568)	**(5%)**	**(68,483)**

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives *(continued)*

(ii) Interest rate risk management

The Group's interest rate risk relates primarily to floating rate borrowings, bank balances and deposits and balances with jointly controlled partners. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flow of the operations and the debt markets, when considered appropriate, the Group would refinance these borrowings with instruments with a lower cost.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates in relation to the variable-rate bank borrowings and bank balances and deposits of the Group and its jointly controlled entities as well as balances with jointly controlled entities of the Group at the balance sheet date. The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. The 100 basis point increase or decrease represents management's assessment of the reasonably possible changes in interest rate.

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2008 would decrease/increase by HK$31,980,000 (2007: HK$44,551,000).

(iii) Credit risk management

The Group's credit risk is primarily attributable to its balances with jointly controlled entities, other receivable from a joint venture partner, pledged bank balances and deposits of jointly controlled entities, bank balances and deposits, and other receivables.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group has significant concentration of credit risk in its balances with jointly controlled entities. The management of the Company is responsible to exercise the joint control on the financial and operating activities of the jointly controlled entities with the joint venture partners to ensure the jointly controlled entities maintaining favorable financial position in order to reduce such credit risk.

In addition, the management of the Company and the respective jointly controlled entities are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts, in order to minimize other credit risks. The management is also responsible for reviewing the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The pledged bank balances and deposits, and the bank balances and cash of jointly controlled entities are concentrated on certain counterparties and the credit risk on liquid funds is limited because the counterparties are certain state-owned banks in the PRC.

Other than the above, the Group has no other significant concentration of credit risk.

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives *(continued)*

(iv) Liquidity risk management

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars or Hong Kong dollars. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing ratio.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rate applicable at the balance sheet date) and the earliest date the Group can be required to pay:

	Interest rates %	*Repayable on demand HK$'000*	*Less than 1 year HK$'000*	*1–2 years HK$'000*	*3–5 years HK$'000*	*After 5 years HK$'000*	*Total undiscounted cash flows HK$'000*	*Carrying amount HK$'000*
2007								
Other payables and accruals, current	—	252,529	—	—	—	—	252,529	252,529
Balances with joint venture partners (note)	0%–6.48%	—	—	319,901	—	353,728	673,629	602,564
Other payable to a jointly controlled entity	—	118,213	—	—	—	—	118,213	118,213
Other interest payable	—	7,530	—	—	—	—	7,530	7,530
Bank and other loans	5.00%–6.48%	—	540,527	544,667	1,802,661	4,631,886	7,519,741	5,215,063
		378,272	540,527	864,568	1,802,661	4,985,614	8,571,642	6,195,899

	Interest rates %	***Repayable on demand HK$'000***	***Less than 1 year HK$'000***	***1–2 years HK$'000***	***3–5 years HK$'000***	***After 5 years HK$'000***	***Total undiscounted cash flows HK$'000***	***Carrying amount HK$'000***
2008								
Other payables and accruals, current	**—**	**359,245**	**—**	**—**	**—**	**—**	**359,245**	**359,245**
Balances with joint venture partners (note)	**—**	**—**	**—**	**—**	**418,984**	**—**	**418,984**	**360,154**
Other interest payable	**—**	**5,677**	**—**	**—**	**—**	**—**	**5,677**	**5,677**
Bank and other loans	**2.80%–7.05%**	**—**	**470,477**	**438,249**	**1,509,458**	**3,681,529**	**6,099,713**	**4,711,186**
Other payables-non-current	**—**	**—**	**—**	**50,884**	**15,319**	**—**	**66,203**	**55,267**
		364,922	**470,477**	**489,133**	**1,943,761**	**3,681,529**	**6,949,822**	**5,491,529**

Note: The repayment of balances with joint venture partners is subjected to the availability of cash flows and consensus of all joint venture partners. Hence, the maturities of the undiscounted cash flows of balances with joint venture partners are based on the estimated future cash flows of the jointly controlled entities.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis on using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

31. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2008 amounted to approximately HK$16,892,537,000 (2007: HK$16,792,637,000). The Group's net current assets at 30 June 2008 amounted to approximately HK$5,666,332,000 (2007: HK$3,901,746,000).

32. SUMMARY OF BALANCE SHEET OF THE COMPANY

	2007 HK$'000	***2008 HK$'000***
ASSETS		
Non-current assets	3,290,594	**3,198,098**
Current assets	6,158,701	**7,006,801**
Total assets	9,449,295	**10,204,899**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	297,033	**297,048**
Reserves	9,100,212	**9,203,264**
Total equity	9,397,245	**9,500,312**
Current liabilities	52,050	**704,587**
Total equity and liabilities	9,449,295	**10,204,899**

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains the particulars of the subsidiaries of the Company at 30 June 2008 and 2007 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.
None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

Name of subsidiary	*Place of incorporation*	*Issued and fully paid share capital*	*Attributable equity interest held by the Company*	*Principal activity*
Kingnice Limited	British Virgin Islands	Ordinary shares US$20,000	97.5%	Investment holding
Hopewell China Development (Superhighway) Limited	Hong Kong	Ordinary shares HK$2 Non-voting deferred shares HK$4	97.5% of issued ordinary share capital	Investment in expressway project
Hopewell Guangzhou Ring Road Limited	British Virgin Islands	Ordinary share US$1	100%	Investment in expressway project till late September 2007 and became inactive afterwards
Hopewell Guangzhou-Zhuhai Superhighway Development Limited	Hong Kong	Ordinary shares HK$2 Non-voting deferred shares HK$2	100% of issued ordinary share capital	Investment in expressway project
HHI Finance Limited	Hong Kong	Ordinary share HK$1	100%	Loan finance

All the above subsidiaries are indirectly held by the Company.

34. MAJOR NON-CASH TRANSACTION

During the years ended 30 June 2007 and 30 June 2008, development costs of HK$78,822,000 and HK$175,763,000 respectively included by the Group in the proportionate share were unpaid and accrued in other payables, accruals and deposits received as at year end.

35. OPERATING LEASES

The Group as lessee

	2007 *HK$'000*	**2008** ***HK$'000***
Minimum lease payments paid under operating lease during the year:		
Premises	—	**2,655**

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 *HK$'000*	**2008** ***HK$'000***
Within one year	—	**2,942**

36. CAPITAL COMMITMENTS

At 30 June 2008, the Group had outstanding commitments to make capital contributions to West Route JV for development of the Phase II of the Western Delta Route ("Phase II West") of approximately RMB96,051,000 (2007: RMB682,570,000).

At 30 June 2008, the Group had agreed, subject to approval of relevant authorities, to make capital contributions to West Route JV for development of the Phase III of the Western Delta Route of approximately RMB570,500,000 (2007: RMB570,500,000).

At 30 June 2008, GS Superhighway JV and West Route JV had outstanding commitments proportionately shared by the Group in respect of the acquisition of property and equipment, and construction of the Phase II West contracted but not provided for totalling approximately HK$1,657,751,000 (2007: HK$1,426,000,000 for GS Superhighway JV, Ring Road JV and West Route JV).

37. POST BALANCE SHEET EVENTS

On 2 September 2008, the Group entered into amendment agreements in relation to Phase III West with the West Route JV PRC partner, subject to the approval of the Company's and HH's shareholders and the relevant PRC authorities, to adjust the total investment for Phase III West to RMB5,600 million, instead of RMB3,260 million as contemplated under the 2005 Phase III Amendment Agreements (the "2008 Phase III Amendment Agreements", which effectively replaced the 2005 Phase III Amendment Agreements). 35% of the adjusted total investment will be funded by an increase in the registered capital of West Route JV by RMB1,960 million to be contributed by the Group and the West Route JV PRC partner in equal share . The adjusted 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 entered into amendment agreements in relation to Phase II West with the West Route JV PRC partner, subject to the approval of the Company's and HH's shareholders and the relevant PRC authorities, to increase the total investment for Phase II West by RMB2,300 million to RMB7,200 million. 35% of the increase in total investment will be funded by an increase in the registered capital of West Route JV by RMB805 million to be contributed by the Group and the West Route JV PRC partner in equal share. The additional capital contribution thereon to be made by the Group to West Route JV for the development of Phase II West is RMB402.5 million.

The registered capital of West Route JV after the above post balance sheet events will be RMB5,068 million subject to the approval of the Company's and HH's shareholders and the relevant PRC authorities.

38. PLEDGE OF ASSETS

At 30 June 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 analysed as follows:

	2007 HK$'000	***2008 HK$'000***
Toll expressways	6,972,866	**7,136,209**
Prepaid lease payments	84,864	**90,393**
Bank balances and deposits	392,854	**235,265**
Other assets	231,238	**373,550**
	7,681,822	**7,835,417**

At 30 June 2007, the toll collection right of GS Superhighway JV, 65% of the toll collection right of Phase I West and 90% of the toll collection right of Ring Road JV were pledged to banks to secure general banking facilities granted to the respective jointly controlled entity. At 30 June 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 jointly controlled entity.

39. RELATED PARTY TRANSACTIONS

Amounts due by and from related parties are disclosed in the consolidated balance sheet and relevant notes. During the year, the Group paid rentals, air-conditioning, management fee and car parking charges to a fellow subsidiary amounting to approximately HK$2,480,000 (2007: HK$1,580,000).

The Group's jointly controlled entities had the following significant transactions with their joint venture partners other than the Group during the year:

Relationship	***Nature of transaction***	*2007 HK$'000*	***2008 HK$'000***
Joint venture partner of the GS Superhighway JV	Interest paid	398	**—**
	Reimbursement of operating expenses	523	**1,537**
	Dividend paid and payable	1,415,915	**1,744,366**
PRC joint venture partner of the Ring Road JV	Management fee paid and payable	4,000	**—**
	Reimbursement of interest expenses	—	**6,290**
Foreign joint venture partner of the Ring Road JV	Management fee paid and payable	2,000	**—**
	Reimbursement of interest expenses	34,832	**20,361**
PRC joint venture partner of the West Route JV	Dividend paid and payable	15,640	**19,820**

Compensation of key management personnel

The remuneration of key management personnel who are all directors of the Company is disclosed in note 11.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements on page 49 to 91 were approved and authorised for issue by the Board of Directors on 10 September 2008.

Corporate Information

Board of Directors
Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman
Mr. Eddie Ping Chang HO
Vice Chairman
Mr. Thomas Jefferson WU
Managing Director
Mr. Alan Chi Hung CHAN
Deputy Managing Director
Ir. Leo Kwok Kee LEUNG
Mr. Lijia HUANG
Mr. Cheng Hui JIA
Mr. Barry Chung Tat MOK
Mr. Nicholas Tai Keung MAY*
Mr. Philip Tsung Cheng FEI#
Mr. Lee Yick NAM#
Mr. Kojiro NAKAHARA#
Dr. Gordon YEN#

* *Alternate to Mr. Barry Chung Tat MOK*
\# *Independent Non-Executive Directors*

Audit Committee
Mr. Lee Yick NAM *Chairman*
Mr. Kojiro NAKAHARA
Mr. Philip Tsung Cheng FEI

Remuneration Committee
Mr. Eddie Ping Chang HO *Chairman*
Mr. Lee Yick NAM
Dr. Gordon YEN

Company Secretary
Mr. Peter Yip Wah LEE

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Solicitors
Woo, Kwan, Lee & Lo

Auditor
Deloitte Touche Tohmatsu

Principal Bankers+
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
Bank of East Asia, Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
BNP Paribas
Calyon
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Development Bank
Chong Hing Bank Limited
Citibank, N.A.
Hua Nan Commercial Bank, Limited
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Limited
Nanyang Commercial Bank Limited
Shanghai Commercial Bank Limited
Shenzhen Development Bank
Sumitomo Mitsui Banking Corporation
Tai Fung Bank Limited
Wing Lung Bank Limited

+ *names are in alphabetical order*

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Bank of Bermuda (Cayman) Limited
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North Church Street, George Town
Grand Cayman, Cayman Islands KY1-1106

Hong Kong Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
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Listing Information
The Stock Exchange of Hong Kong Limited
Ordinary Shares (Stock Code : 737)

American Depositary Receipt
CUSIP No.	439554106
Trading Symbol	HHILY
ADR to share ratio	1:10
Depositary Bank	Citibank, N.A., U.S.A.

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Note: In the case of any inconsistency between the Chinese translation and the English text of this Annual Report, the English text shall prevail.

Financial Calendar

Interim results announcement	28 February 2008
Closure of Register	17 March 2008 to 20 March 2008 *(both days inclusive)*
Interim dividend and special interim divided paid ***(HK17 cents and HK7 cents respectively per ordinary share)***	26 March 2008
Final results announcement	10 September 2008
Closure of Register	6 October 2008 to 13 October 2008 *(both days inclusive)*
Annual General Meeting	13 October 2008
Proposed final dividend and special final dividend payable ***(HK13 cents and HK28 cents respectively per ordinary share)***	on or about 14 October 2008

財務日誌

公佈中期業績	二零零八年二月二十八日
暫停辦理股份過戶登記	二零零八年三月十七日至二零零八年三月二十日 *（包括首尾兩天在內）*
派付中期股息及特別中期股息 ***（每普通股分別為港幣17仙及港幣7仙）***	二零零八年三月二十六日
公佈全年業績	二零零八年九月十日
暫停辦理股份過戶登記	二零零八年十月六日至二零零八年十月十三日 *（包括首尾兩天在內）*
股東週年大會	二零零八年十月十三日
派付建議之末期股息及特別末期股息 ***（每普通股分別為港幣13仙及28仙）***	約於二零零八年十月十四日

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合和公路基建有限公司

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