HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED

Stock Code: 737

Momentum of Linking Cities

Annual Report 2011/12

HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED

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.

Contents


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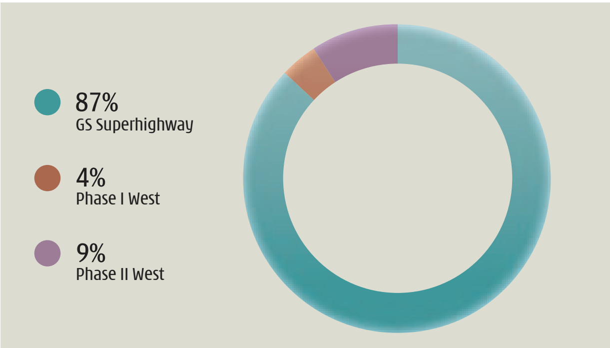
Vitality of growing network

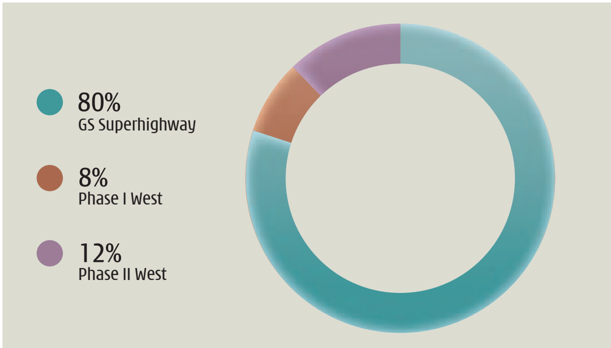
To meet the development needs of peripheral cities, expanding and reshaping existing network of infrastructure into beacons of hope and vibrancy becomes our top priority.

Financial Highlights

Turnover by Expressway

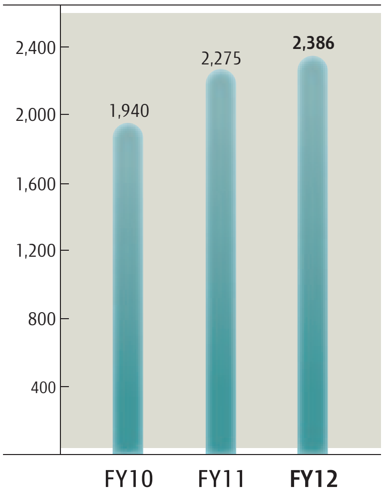


Total Traffic by Expressway



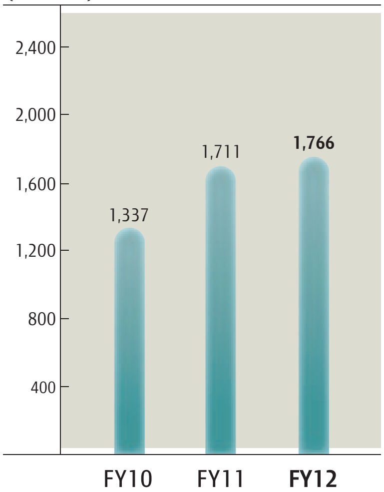
Net Toll Revenue

(HK$million)



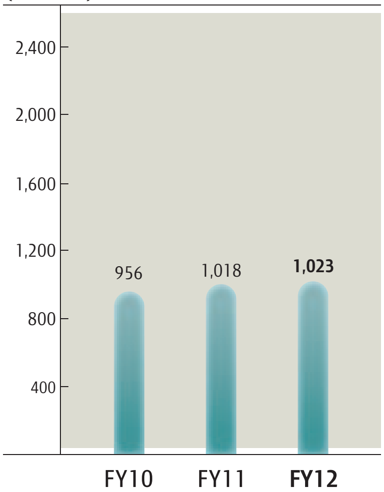
Earnings before Interest and Tax

(HK$million)



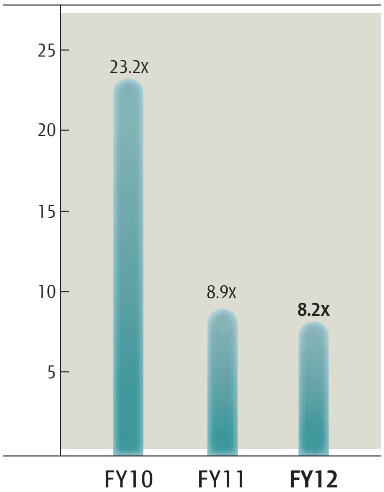
Profit Attributable to Owners of the Company

(HK$million)

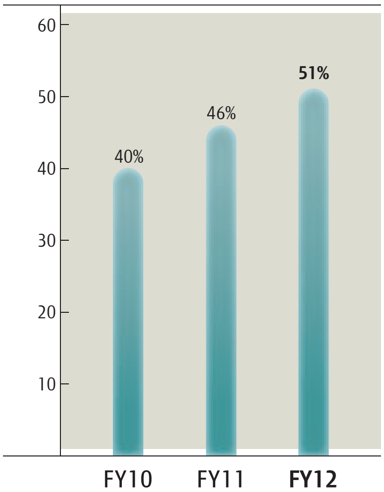


Interest Coverage

(EBITDA/Interest)

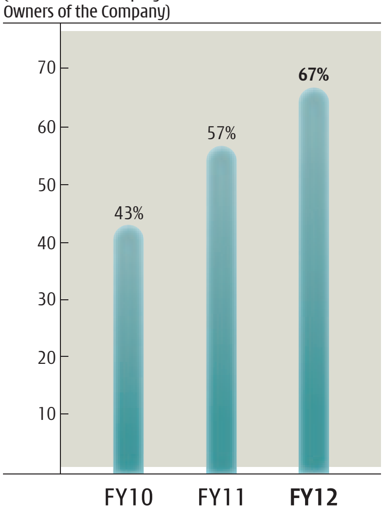


Total Debt to Total Assets



Gearing Ratio

(Net Debt (Note) to Equity Attributable to the Owners of the Company)



Note: Total debt less bank balances and cash, pledged bank balances and deposits.

5-Year Financial Summary

Consolidated Results (in HK$ million)

	Year ended 30 June				
	2008	2009	2010	2011	**2012**
Net toll revenue	1,717	1,809	1,940	2,275	**2,386**
Profit before tax	2,485	1,264	1,264	1,471	**1,493**
Income tax expenses	(452)	(187)	(291)	(434)	**(452)**
Profit for the year	2,033	1,077	973	1,037	**1,041**
Profit for the year attributable to:					
Owners of the Company	**2,014**	**1,059**	**956**	**1,018**	**1,023**
Non-controlling interests	19	18	17	19	**18**
Profit for the year	**2,033**	**1,077**	**973**	**1,037**	**1,041**

Consolidated Statement of Financial Position (in HK$ million)

	As at 30 June				
	2008	2009	2010	2011	**2012**
Property and equipment	184	189	307	326	**379**
Concession intangible assets	10,362	11,280	12,574	14,337	**15,601**
Balance with a jointly controlled entity	530	141	177	232	**300**
Bank deposits	-	-	-	590	**-**
Current assets	6,347	2,978	3,035	3,637	**5,222**
Total assets	**17,423**	**14,588**	**16,093**	**19,122**	**21,502**
Current liabilities	(686)	(796)	(1,945)	(1,309)	**(3,202)**
Non-current liabilities	(5,137)	(5,403)	(5,796)	(8,939)	**(9,348)**
Total liabilities	**(5,823)**	**(6,199)**	**(7,741)**	**(10,248)**	**(12,550)**
Non-controlling interests	(50)	(48)	(52)	(60)	**(68)**
Equity attributable to owners of the Company	**11,550**	**8,341**	**8,300**	**8,814**	**8,884**

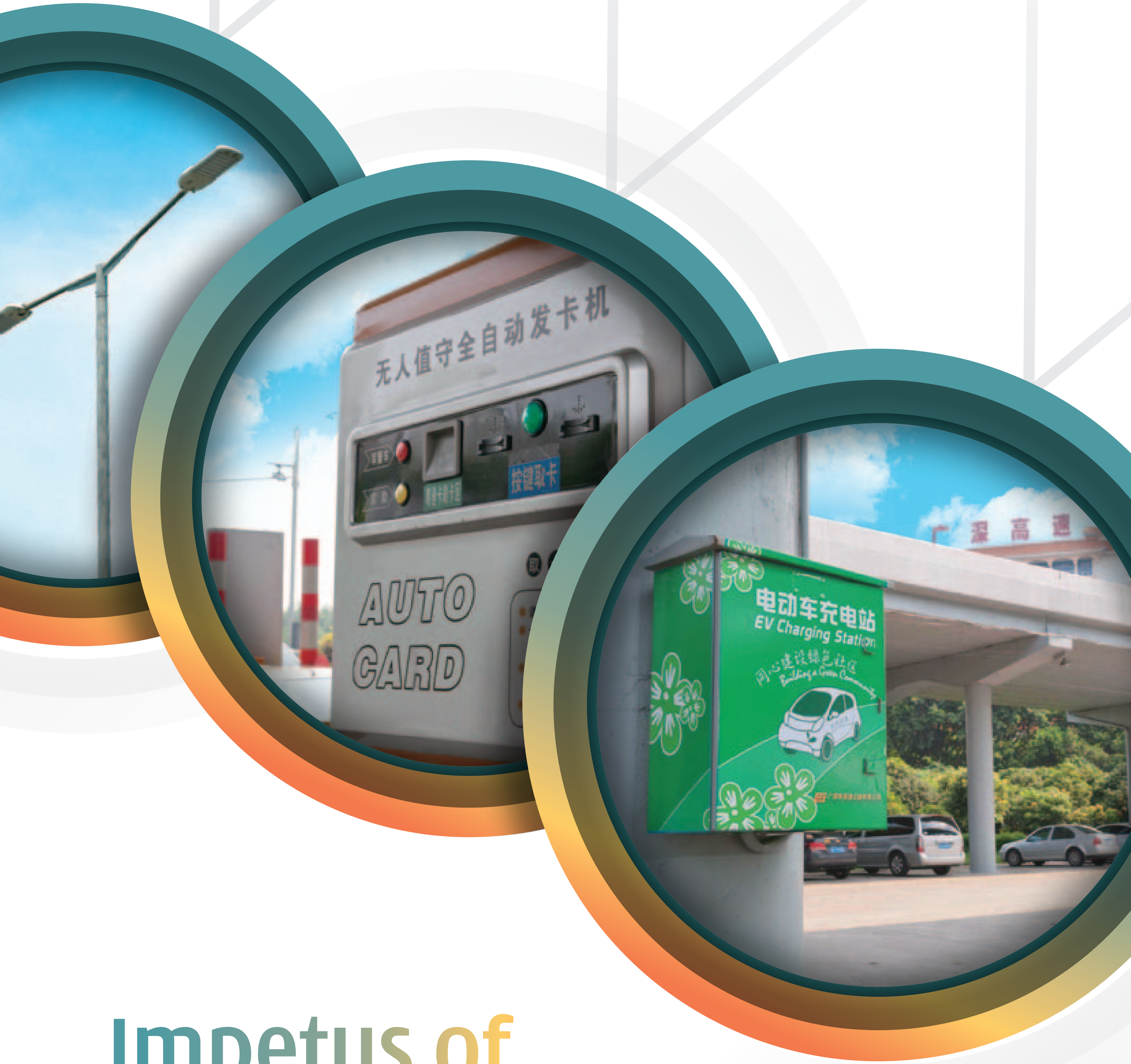
Per Share Basis	2008	2009	2010	2011	**2012**
Basic earnings per share (HK cents)	67.81	35.72	32.28	34.39	**34.55**
Dividend per share (HK cents)					
– Interim	17.0	17.0	17.0	16.0	**18.0**
– Final	13.0	18.0	15.0	18.0	**16.0**
– Special	35.0	84.0	-	-	**-**
Net asset value per share (HK$)	3.9	2.8	2.8	3.0	**3.0**

Financial Ratios	2008	2009	2010	2011	**2012**
Gearing ratio (Net debt[(1)] to equity attributable to owners of the Company)	0%	30%	43%	57%	**67%**
Return on equity attributable to owners of the Company	17%	13%	12%	12%	**12%**
Dividend payout ratio	97%	98%[(2)]	99%	99%	**98%**

Notes:

(1) Net debt is defined as total debt (including bank and other loans of jointly controlled entities, balance with a joint venture partner and RMB corporate bonds) less the bank balances and cash together with pledged bank balances and deposits exceeded total debt as at the reporting date.

(2) Excluding extraordinary special dividend of HK84 cents per share.



Impetus of Sustainable Development

We recognize the work we do now will have a long-lasting presence among the communities where we operate, and we are committed to provide sustainable solutions for stakeholders and clients.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保持车距
皇
岗
军警免费
车辆通道
欢迎使用粤通卡
自动缴费车专用
15

Chairman's Statement

"The Western Delta Route, upon completion of Phase III West, will become the main artery of a regional expressway network that will span the PRD's western coast."

I am pleased to report the Group's results for the financial year ended 30 June 2012. The Group's net toll revenue rose by 5% to HK$2,386 million compared to the previous year, mainly due to a surge in the traffic volume of Phase II West and the appreciation of the RMB during the year under review. The net profit from toll road projects increased by 2%, from HK$967 million to HK$990 million. Meanwhile, the profit attributable to owners of the Company increased slightly by 0.5%, from HK$1,018 million to HK$1,023 million, including an exchange gain from the RMB's appreciation (net of income tax expenses) of HK$50 million. Basic earnings per share for the year increased by around 0.5% from the previous year's HK34.39 cents to HK34.55 cents.

Final Dividend

The Board has proposed a final dividend of HK16 cents per share for the year ended 30 June 2012. Together with an interim dividend of HK18 cents per share that has already been paid, the total dividends for the year will amount to HK34 cents per share, which will be the same as the last financial year's total dividends of HK34 cents per share. It represents a payout ratio of 98% of the Company's profit attributable to owners of the Company.

Subject to shareholders' approval at the 2012 Annual General Meeting on Thursday, 18 October 2012, the proposed final dividend will be paid on Wednesday, 31 October 2012 to shareholders who are registered at the close of business on Thursday, 25 October 2012.

Closure of Register

To ascertain shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Thursday, 25 October 2012, if and only if the proposed final dividend is approved by the shareholders at the 2012 Annual General Meeting. No transfer of shares of the Company will be effected on the aforementioned book-close date. To qualify for the proposed final dividend, all transfers of share ownership, accompanied by 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 24 October 2012.

To ascertain shareholders' eligibility to attend and vote at the 2012 Annual General Meeting to be held on Thursday, 18 October 2012, the Register of Members of the Company will be closed from Thursday, 11 October 2012 to Thursday, 18 October 2012, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the 2012 Annual General Meeting, all transfers of share ownership, accompanied by 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 10 October 2012.

Financial Status

The Group maintained a strong financial position throughout the year. Its proportionate share of the net toll revenue of the expressways it has invested for the year ended 30 June 2012 increased by 5% year-on-year, from HK$2,275 million to HK$2,386 million.

Financial Year	2011	**2012**	% Change
GS Superhighway (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	392	**402**	+3%
Average Daily Toll Revenue (RMB '000)	10,114	**9,910**	-2%
Phase I West (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	37	**38**	+2%
Average Daily Toll Revenue (RMB '000)	463	**435**	-6%
Phase II West (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	44	**61**	+39%
Average Daily Toll Revenue (RMB '000)	756	**1,028**	+36%

In accordance with its financing strategy and against the backdrop of credit-tightening in the PRC, the Group raised a total of RMB1.98 billion by issuing two tranches of RMB corporate bonds in July 2010 and May 2011. Most of the proceeds from these were used mainly to finance the development of Phase III West and are planned to be used for interim financing of Phase II West. The first tranche of RMB1.38 billion corporate bonds matured on 13 July 2012 and the second tranche of RMB600 million will mature on 18 May 2014. In May 2012, the Company obtained a term loan facility in an aggregate amount of RMB1,000 million and a revolving credit facility in an aggregate amount of RMB600 million for a tenure of three years for the repayment of the RMB1.38 billion corporate bonds that matured on 13 July 2012 and for the Group's general working capital purposes.

As at 30 June 2012, the Group's bank balances and cash on hand amounted to HK$4,582 million. Almost all of this was in RMB. The Group's net cash on hand (excluding JV companies) amounted to HK$876 million (after netting off the Company's RMB corporate bonds and the Group's bank loans). The Group will continue to keep most of its cash in RMB in the future, in line with its policy of adopting RMB as its functional currency. Interest income for the year rose significantly, owing to a leap in the Group's average cash balance and an increase in bank deposit interest rates. The Group will continue to strengthen its treasury management and evaluate the options available for improving the yields on its substantial cash deposit portfolio.

The Group's cash inflow for the year was mainly derived from dividends declared by the GS Superhighway JV and the drawdown of the RMB1,000 million term loan facility aforementioned, whereas its major cash outflow was the payment of dividends to the Company's shareholders and the Group's registered capital contribution for Phase III West. The Group will continue to optimize its balance sheet, improve its cash flow and strengthen its financial position by means of debt instruments, such as RMB corporate bonds.

Business Review

The global economic environment remained unstable and challenging during the year under review. Although the European Central Bank provided massive low-interest loans to Euro-zone banks, the sovereign debt crisis continued to spread among the European Union member countries. The pace of the recovery of the United States economy was slower than expected, and there were no new quantitative easing measures there.

Despite the market's on-going concerns about the European sovereign debt crisis and a slowdown in the global economy that restrained the export growth of China and Guangdong Province, the latter's total trade volume continued to rise to historical high levels. The volume of car sales remained high throughout China, and the greater geographical mobility this created boosted the PRD region's transportation industry.

Although the volume of car sales slowed down across the PRC as a whole, car ownership in Guangdong Province continued to soar. The number of Class 1 small cars using the Group's toll roads in the PRD and the toll revenue derived from them also increased. However, traffic on certain sections of the GS Superhighway – especially Class 4 and Class 5 commercial trucks – was affected when National Highway 107 became toll-free in April 2011 and the toll revenue from vehicles in these two categories declined.

The Group's proportionate share of the aggregate net toll revenue of its expressway projects grew by 5% year-on-year to HK$2,386 million, mainly due to the surge in the traffic volume of Phase II West and the appreciation of RMB. The Group's toll revenue base has grown consistently since Phase II West opened in June 2010.

Even taking into account an increase in the depreciation charges of the two JV companies for the GS Superhighway and the Western Delta Route and a rise in staff costs, the Group's aggregate EBIT (excluding an exchange gain and related income tax expenses) rose by 5% year-on-year, from HK$1,547 million to HK$1,632 million.

During the year under review, the aggregate average daily traffic volume on the GS Superhighway, Phase I West and Phase II West increased by 6% to 500,000 vehicles year-on-year, while their aggregate average daily toll revenue increased by 0.4% to RMB11.37 million. The aggregate toll revenue for the year amounted to RMB4,163 million.

As stated in the Company's last interim report, the Group received a notice concerning the promulgation of the Guangdong Province Toll Roads Special Clean-up Implementation Proposal (the "Tariff Proposal") in February 2012 from its JV partner, Guangdong Provincial Highway Construction Company Limited. The measures being implemented under the Tariff Proposal in respect of the tariffs of all expressways within Guangdong Province were set out in the joint announcement issued on 28 March 2012 by the Company and HHL. The new tariff of the GS Superhighway, revised in accordance with the Tariff Proposal's requirements took effect on 1 June 2012. The traffic volume of the GS Superhighway has since slightly increased, whereas its toll revenue has significantly decreased. The average daily traffic volume of the GS Superhighway increased by 6% and 7% year-on-year respectively during each of the months ended 30 June 2012 and 31 July 2012, whereas its average daily toll revenue decreased by 16.7% and 15.3% year-on-year respectively. The Group believes the impacts from the implementation of the Tariff Proposal will be stabilizing in the next few months.

The traffic volume and toll revenue of Phase II West have surged continuously ever since it opened in June 2010. In the second half of FY11, the toll revenue of Phase II West attained the Group's target of achieving operating cash flow breakeven (after taking interest expense payments into account) during its first year of operation. During the year under review, Phase II West continued to exceed this target and recorded a net cash inflow (from operations and after taking interest expense payments into account) and 36% increase in EBITDA. With the momentum of economic growth of the surrounding regions and the improved connectivity of Phase II West, the Group expects it can achieve profit breakeven by 2014, even without taking into account the synergy that will be created by the opening of Phase III West.

Construction of Phase III West has been progressing smoothly. The Group will endeavour to speed up the remaining construction work to ensure it is completed and opened in the first quarter of 2013 around Lunar New Year, which will be earlier than scheduled. The planned total investment for Phase III West is currently RMB5.6 billion.

Prospects

The first phase of the cross border Ad-hoc Quotas Trial Scheme for Hong Kong private cars commenced in March 2012. Since then, Hong Kong private cars with five seats or less can be driven into Guangdong Province via Shenzhen Bay Port and remain there for a maximum of seven days. This policy will gradually increase cross-border traffic, and it may benefit the GS Superhighway in the longer term.

On the other hand, the 41-kilometre section of the Guangzhou-Dongguan section of the Coastal Expressway was opened in mid-January 2012. Its impact on the GS Superhighway's traffic since then has been insignificant. According to the latest media reports, the rest of the 18-kilometre Guangzhou-Dongguan section will be opened in phases before mid-2013, and the 30-kilometre Shenzhen section is scheduled for completion by the third quarter of 2013. The Group will continue to monitor its progress closely.

A direct connection to Zhongshan downtown, which links with the southern end of Phase II West, was opened on 28 April 2012. This provides a faster and more convenient route to downtown Zhongshan. A steady increase in traffic has been observed, further boosting the growth of Phase II West's traffic and toll revenue. The Group believes this trend will gain further momentum in the future.

The opening of Phase III West during the first quarter of 2013 around Lunar New Year will complete the Western Delta Route and create synergy among Phase I West, Phase II West and Phase III West. The Group expects Phase III West to achieve operating cashflow breakeven (after taking into account interest expense payments) in its first full year of operation in FY14. The Western Delta

Route, upon completion of Phase III West, will become the main artery of a regional expressway network that will span the PRD's western coast. The transportation network of both the western and eastern banks of the PRD region will become fully integrated when the HZM Bridge, as reported in the media, is completed in late 2016. The urbanization of cities in the western PRD region is expected to accelerate further, along with economic growth, and thus traffic.

Changes of Directors and Committee Members

Dr. Gordon YEN resigned as an Independent Non-Executive Director and a member of each of the Audit Committee and Remuneration Committee of the Company with effect from 12 May 2012. I would like to take this opportunity to thank Dr. YEN for his valuable contribution to the Company during his tenure of office.

Mr. Yuk Keung IP has been appointed as a member of the Company's Remuneration Committee in place of Dr. Gordon YEN with effect from 12 May 2012.

Appreciation

I would like to take this opportunity to thank the Group's Managing Director, my fellow Directors, the management team and all staff members for their hard work, dedication and commitment during the past year. I would also like to thank all our shareholders, financiers and business partners for their continuous support and confidence in the Group, with contributed greatly towards the Group's success during the past year.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 20 August 2012



Velocity of Continual Progress

In keeping pace with changes around us, we build infrastructure with an approach that is creative; execution that is consistently excellent.

Profile of Directors

Sir Gordon Ying Sheung WU

Mr. Eddie Ping Chang HO

Executive Directors

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Aged 76, he is the Chairman of the Board of the Company since 2003 and is a director of various subsidiaries of the Company. He is also a director of Anber Investments Limited, Delta Roads Limited, Dover Hills Investments Limited and Supreme Choice Investments Limited and the Chairman of HHL, all of them are substantial shareholders of the Company within the meaning of Part XV of the SFO.

In 1958, he graduated from Princeton University with a Bachelor of Science degree in engineering. His responsibilities have included the Company's infrastructure projects in the PRC and he has been involved in designing and constructing 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, as well as set a world record for completion within 22 months. He is the father of Mr. Thomas Jefferson WU, the Managing Director of the Company.

He is very active in civic activities and community service. His civic and community positions include:

In the PRC

Member
National Committee of the Chinese People's Political Consultative Conference ("CPPCC")

Vice Chairman
Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese (Special committee of CPPCC)

Council Member
United Nations Association of China

Advisor
China Development Bank

In Hong Kong

Vice President
The Real Estate Developers Association of Hong Kong

Sir Gordon WU is a Fellow of several professional bodies, including:

- Institution of Civil Engineers, United Kingdom
- The Hong Kong Institution of Engineers
- Hong Kong Academy of Engineering Sciences

Mr. Thomas Jefferson WU

Mr. Alan Chi Hung CHAN

He also received Honorary Doctorate Degrees from the following universities:

- The Hong Kong Polytechnic University, Hong Kong
- City University of Hong Kong, Hong Kong
- Lingnan University, Hong Kong
- University of Strathclyde, United Kingdom
- The University of Edinburgh, United Kingdom
- University of Manitoba, Canada

His additional awards and honours include:

Awards and Honours	Year Awarded
The Lifetime Achievement Award of the 9th Asia Business Leaders Award by CNBC	2010
Officer de L'Ordre de la Couronne by HM Albert II, 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
Honorary Consul of The Republic of Croatia in Hong Kong	2002
Knight Commander of the Order of St. Michael and St. George (KCMG) by the Queen of England	1997
Industry All-Star Award 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

Mr. Cheng Hui JIA

Mr. Alan Ming Fai TAM

Mr. Eddie Ping Chang HO

Aged 79, 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 a director of Anber Investments Limited, Delta Roads Limited, Dover Hills Investments Limited and Supreme Choice Investments Limited and the Vice Chairman of HHL, all of them are substantial shareholders of the Company within the meaning of Part XV of the SFO. He has extensive experience in implementation of property development and major infrastructure strategic development projects and has been involved in developing all the projects of HHL and the Company in the PRC, including highway, hotel and power station projects. 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 39, he is the Managing Director of the Company since 2003 and is a director of various subsidiaries of the Company. Mr. WU is responsible for strategic planning, corporate policy and overall management of the Company and has upgraded its financial and management accounting systems. He is also a director of Anber Investments Limited, Delta Roads Limited, Dover Hills Investments Limited and Supreme Choice Investments Limited and the Managing Director of HHL, all of them are substantial shareholders of the Company within the meaning of Part XV of the SFO.

He graduated with high honours from Princeton University in 1994 with a Bachelor of Science degree in Mechanical and Aerospace Engineering. He then worked in Japan as an engineer for Mitsubishi Electric Corporation for three years before returning to full-time studies at Stanford University, where he obtained a Master of Business Administration degree in 1999.

Mr. WU is active in public service in both Hong Kong and Mainland China. He serves in a number of advisory roles at different levels of government. In Mainland China, he is a member of the Heilongjiang Provincial Committee of the 10th Chinese People's Political Consultative Conference, a Standing Committee member

Mr. Philip Tsung Cheng FEI

Mr. Kojiro NAKAHARA

and a member of the Huadu District Committee of The Chinese People's Political Consultative Conference, as well as a member of the Executive Committee of the All-China Federation of Industry and Commerce, among other public service capacities.

In Hong Kong, Mr. WU's major public service appointments include being a member of the Hong Kong Government's Steering Committee on the Promotion of Electric Vehicles, a member of the Securities and Futures Commission Advisory Committee, as well as a member of the Board of Directors of the Community Chest of Hong Kong, the Hong Kong Sports Institute and the Asian Youth Orchestra Limited. In addition, he is an independent non-executive director of Melco Crown Entertainment Limited, a listed company in Hong Kong and USA (NASDAQ). Previously, he was a council member of The Hong Kong Polytechnic University and a member of the Court of The Hong Kong University of Science of Technology.

In addition to his professional and public service engagements, Mr. WU is mostly known for his passion for ice hockey, as well as the sport's development in Hong Kong and the region. He is the Co-founder and Chairman of the Hong Kong Amateur Ice Hockey Club and the Hong Kong Academy of Ice Hockey. He is also Honorary President of the Hong Kong Ice Hockey Association – the national sports association of ice hockey in Hong Kong, the Vice-President of the Chinese Ice Hockey Association, Honorary President of the Macau Ice Sports Federation and Honorary Chairman of the Ice Hockey Association of Taipei Municipal Athletics Federation.

In 2006, the World Economic Forum selected Mr. WU as a "Young Global Leader". He was also awarded the "Director of the Year Award" by the Hong Kong Institute of Directors in 2010, the "Asian Corporate Director Recognition Award" by Corporate Governance Asia in both 2011 and 2012, and named the "Asia's Best CEO (Investor Relations)" in 2012.

Mr. WU is the son of Sir Gordon WU, the Chairman of the Board.

Professor Chung Kwong POON

Mr. Yuk Keung IP

Mr. Alan Chi Hung CHAN

Aged 53, he has been an Executive Director of the Company since January 2003 and was appointed the Deputy Managing Director in July 2003. He has also been appointed as a member of the Remuneration Committee of the Company since 3 May 2011 and is a director of various subsidiaries of the Company. He is a member of the 7th Tian He District Committee of The Chinese People's Political Consultative Conference. 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.

Mr. Cheng Hui JIA

Aged 71, he was appointed as 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. Alan Ming Fai TAM

Aged 42, he was appointed as an Executive Director of the Company since 1 July 2009. He is responsible for the corporate planning, business operation and project planning and development of the Company. Mr. TAM holds a Master of Business Administration degree and a Bachelor of Engineering degree in Civil and Structural Engineering from The University of Hong Kong. He first

Mr. Brian David Man Bun LI

joined HHL in 1995 and was engaged in construction, operation and financing of the GS Superhighway of HHL. He left HHL in 1999 for about one year and re-joined HHL in 2000. Since then, Mr. TAM has all along been taking care of various highway projects of HHL and responsible for the day-to-day management of toll roads and planning and development of new projects in the PRC. He had actively involved in the floatation of the Company and transferred from HHL to the Company upon its listing in 2003.

Independent Non-Executive Directors

Mr. Philip Tsung Cheng FEI

Aged 70, he was appointed as an Independent Non-Executive Director of the Company and a member of the Audit Committee of the Company in July 2003. Since 3 May 2011, he has been appointed as the Chairman 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 US 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 US.

Mr. Kojiro NAKAHARA

Aged 71, he was appointed as 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.

Professor Chung Kwong POON GBS, JP

Aged 72, he was appointed as an Independent Non-Executive Director of the Company since 1 July 2009 and is also the Chairman of the Remuneration Committee of the Company. Professor POON is the President Emeritus of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. He was honoured as one of the "Ten Outstanding Young Persons in Hong Kong" in 1979; was appointed a Nonofficial Justice of the Peace (JP) in 1989; received the OBE award in 1991, the Gold Bauhinia Star (GBS) in 2002 and also the "Leader of the Year Awards 2008 (Education)" and also the Honorary Degree of Doctor of Humanities in 2009 from The Hong Kong Polytechnic University.

Professor POON is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of K. Wah International Holdings Limited and The Hong Kong and China Gas Company Limited, all are listed on the main board of the Stock Exchange.

Mr. Yuk Keung IP

Aged 60, he was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 1 July 2011. On 12 May 2012, he was appointed as a member of the Remuneration Committee of the Company. Mr. IP is an international banking and real estate professional with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo and Merrill Lynch in Hong Kong, Asia and United States. His areas of expertise are in real estate, corporate banking, financial institutions, transaction banking and wealth management. Mr. IP was named managing director of Citigroup in 2003 and Senior Credit Officer/Real Estate Specialist of Citicorp in 1990. He held senior executive positions at Citigroup such as the managing director/Head of Transaction Banking, Corporate Customer and Financial Institutions coverage and managing director/Head of Asia Regional Investment Finance of Wealth Management. He is currently an independent non-executive director and the chairman of the audit committee of Eagle Asset Management (CP) Limited as manager of Champion Real Estate Investment Trust, which is listed in Hong Kong.

Mr. IP is a Council and Court Member of Lingnan University, a Member of International Advisory Board of College of Business at City University of Hong Kong, a Member and Governor of Technological and Higher Education Institute of Hong Kong, an Advisory Board Member of Faculty of Business Administration and a Member of the International Advisory Committee at University of Macau, a Member of International Advisory Council Asia and an Advisory Board Member of Center for Finance and Accounting Research at Washington University in St. Louis, a Council Member of Cornell University and Board of Governor of Hong Kong America Center. He is an Adjunct Professor of Lingnan University and City University of Hong Kong and an Executive Fellow in Asia of Washington University in St. Louis. He is a Chairman of Fund Raising Steering Committee of Vocational Training Council and is an Honoree of the Beta Gamma Sigma Chapter of City University of Hong Kong. He was a lecturer at University of Pittsburgh's MBA program in the United States. He is also a frequent guest speaker at City University of Hong Kong, Lingnan University, Institute of Vocational Education and University of Macau. Mr. IP is also a Co-opted Member of the Finance Committee of the Urban Renewal Authority.

Mr. IP holds a Bachelor of Science degree in Applied Mathematics and Computer Science at Washington University in St. Louis (summa cum laude), a Master of Science degree in Applied Mathematics at Cornell University and a Master of Science in Accounting and Finance at Carnegie-Mellon University.

Mr. IP had been appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company and HHL on 13 August 2007 and resigned from all the aforesaid positions on 29 February 2008 due to his other business commitments. In view of his valuable experience in banking, accounting and real estate finance, Mr. IP was invited to re-join the Board of the Company to act as an Independent Non-Executive Director and a member of the Audit Committee of the Company.

Mr. Brian David Man Bun LI JP

Aged 37, he was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 1 July 2011. Mr. LI is the Deputy Chief Executive of The Bank of East Asia, Limited ("BEA"), a listed company in Hong Kong. He was the General Manager and Head of Wealth Management Division of BEA from July 2004 to March 2009. Mr. LI is currently an independent non-executive director of Towngas China Company Limited, a listed company in Hong Kong. He was an independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd., which is a listed company on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, from March 2010 to June 2011.

Mr. LI holds a number of public and honorary positions, including being a Member of the Eleventh National Committee of the Chinese People's Political Consultative Conference, a Member of the Eleventh Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region ("HKSAR"), a Member of the Hong Kong-Taiwan Business Cooperation Committee, a Member of the Advisory Committee of the Securities and Futures Commission of Hong Kong, a Member of the HKSAR Small and Medium Enterprises Committee, a Member of the HKSAR Standing Committee on Judicial Salaries and Conditions of Service, a Member of the HKSAR Financial Reporting Review Panel and a Member of the HKSAR Traffic Accident Victims Assistance Advisory Committee.

Mr. LI is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Full Member of the Treasury Markets Association. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and he holds a Master of Business Administration degree from Stanford University as well as a Master of Arts degree and a Bachelor of Arts degree from the University of Cambridge.


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Leading the Way

As industry leader, we maintain long-term relationships with our stakeholders by perfecting our operational performance.

Management Discussion and Analysis

Business Review

The European debt crisis weakened global demand for exports from China, and Guangdong Province in particular, in the first quarter of 2012. Guangdong's exports grew by just 5% during the period, adversely affecting the demand for transportation. However, the province's export trade began to regain its momentum during the second quarter, with exports growing by 8%. This helped to revive the region's demand for transportation. The Chinese Government's new measures to stimulate domestic consumption and encourage investment have added impetus to the country's economy, and they will support the target of 7.5% economic growth during 2012. This will benefit the Group's expressways.

The total number of car sales nationwide remained high during the first half of 2012. Around 9.6 million vehicles were sold, a year-on-year increase of 3%. Media reports said the number of newly registered passenger vehicles in Guangdong rose by around 439,000, or 8.9% during the same period. National stimulus policies to support the automobile industry have been reinstated this year. On 16 May 2012, the State Council decided to launch a new round of the subsidy programme for fuel-efficient cars to boost sales of energy-saving and environmental friendly models. RMB6 billion has been allocated to subsidize purchases of fuel-efficient vehicles with a cylinder volume of not more than 1.6 litres. Moreover, the Ministry of Finance and Ministry of Commerce have jointly announced that the Government will subsidize the purchases of vehicles on a trade-in basis. These policies are expected to add fresh impetus to nationwide car sales.

The traffic volume of Class 1 small cars on the GS Superhighway continued to grow steadily. The diversion of Class 4 and Class 5 commercial trucks to National Highway 107 after it became toll-free in April 2011, combined with the sluggishness of Guangdong's import and export trades in the first quarter of 2012, led to a decline in the traffic volume of these categories of vehicles using the GS Superhighway, although this trend has since stabilized. As a result of the synergy with Phase II West, the traffic volume of Phase I West continued to grow, mainly driven by the continuous growth in the traffic of Class 1 small cars. In addition, the truck restriction measures at Yajisha Bridge on the Guangzhou East-South-West Ring Road was lifted in December 2011 and a rebound in trucks on Phase I West was observed. Meanwhile, Phase II West continued to record significant growth in both its traffic volume and toll revenue during the year under review.

During the year under review, the aggregate average daily traffic volume on the GS Superhighway, Phase I West and Phase II West increased by 6% to 500,000 vehicles, while their aggregate average daily toll revenue increased by 0.4% to RMB11.37 million. Their combined toll revenue amounted to RMB4,163 million.

Implementation of Guangdong Tariff Proposal

In accordance with the requirements of the Tariff Proposal issued by the relevant authorities of the Guangdong Government, the tariffs of the GS Superhighway, Phase I West and Phase II West were revised with effect from 1 June 2012. Details of the Tariff Proposal were disclosed in the voluntary joint announcement issued by the Company and HHL on 28 March 2012. Under the revised tariffs, the basic toll rate remains unchanged at RMB0.6 per kilometre, and the multiplier of Class 1 vehicles is also unchanged at 1. The key changes to the tariff for the GS Superhighway includes a reduction in the multipliers for Classes 2, 3, 4 and 5 vehicles, from 2, 3, 4 and 4.5 to 1.5, 2, 3 and 3.5 respectively. The toll distance for road sections between the entry/exit plaza and the junction of the entry ramp/ exit ramp with the main alignment of the adjacent expressway has been reduced by 50%. Since the Western Delta Route has adopted the same toll structure since its opening, the effects of the implementation of the Tariff Proposal on it have been minimal. The impacts on the GS Superhighway was reflected in its traffic volume and toll revenue. Year-on-year, its average daily toll revenue fell by 16.7% to RMB8.3 million in June 2012, which was in line with the previous assessment contained in the voluntary joint announcement issued by the Company and HHL on 31 May 2012, while that for July fell by 15.3% to RMB8.7 million. Corresponding aggregate net profits of the GS Superhighway JV shared by the Company (excluding exchange differences on US Dollar and HK Dollar loans, and related income tax expenses) for June 2012 and July 2012 dropped approximately 24% year-on-year.

Since the revised tariff was implemented, a slight increase in the traffic volume on the GS Superhighway has been observed. The average daily traffic volume in June 2012 and July 2012 increased 6% and 7% year-on-year to 420,000 vehicles and 435,000 vehicles respectively. For both Classes 1 and 3 vehicles, year-on-year traffic growth have been recorded. Class 1 small cars recorded traffic growth of 8% in both June 2012 and July 2012 to 322,000 vehicles and 331,000 vehicles respectively, resulting from a rise in short-distance traffic. Meanwhile, Class 3 vehicles also recorded a slight traffic growth of 3% and 5% to 62,000 vehicles and 66,000 vehicles respectively in the same months, driven by an increase in passenger coaches and medium-sized trucks.

Traffic Patterns and Price Sensitivity

The average daily traffic volume of all classes of the GS Superhighway during the first month following the implementation of the Tariff Proposal on 1 June 2012 was greater than in the previous three months between March and May. The traffic growth rate for commercial vehicles – mainly Classes 3, 4 and 5 vehicles – was greater than that of small cars because their drivers are more price-sensitive. Even so, the number of Class 1 small cars using the GS Superhighway continued to grow, in line with the growth of the economy and car ownership in Guangdong Province. This is a preliminary observation, and any long-term trend can only be confirmed during the coming months.

Comparison of average daily traffic of the GS Superhighway before and after the Implementation of the Tariff Proposal

	(Thousand vehicles/day)		
	Before Implementation March-May 2012	After Implementation June 2012	Change *(%)*
Class 1	314.80	321.88	+2.2%
Class 2	8.94	9.20	+3.0%
Class 3	59.04	62.39	+5.7%
Class 4	6.20	6.47	+4.4%
Class 5	19.57	20.21	+3.3%
Total	408.55	420.15	+2.8%

Following the implementation of the Tariff Proposal in June 2012, the JV companies received another notice from the Guangdong Provincial Communications and Transportation Bureau and the Price Control Administration of Guangdong Province on 26 July 2012. The notice requires all toll expressways in Guangdong Province to revert certain toll charges that were revised upward in accordance with the Tariff Proposal ("Revised Toll Charge") to their previous levels before the implementation of Tariff Proposal ("Original Toll Charge") if those new charges are higher than the previous ones. Expressways invested and funded by state-owned enterprises have implemented the Original Toll Charge in early August. The Group's expressways have not yet been requested to implement the requirements on the notice so far. If it is implemented, its impact on the toll revenue of the Group's expressways is expected to be minimal.

On 2 August 2012, the State Council issued the Notice regarding the Holiday Toll-Free Policy pursuant to which, small passenger vehicles are entitled to use relevant toll roads for free during major statutory holidays (being Lunar New Year, Ching Ming Festival, Labour Day, National Day and the prescribed rest days immediately before and/or after such statutory holidays). While the implementation of the Holiday Toll-Free Policy is expected to have a negative effect on the toll revenue of the GS Superhighway, Phase I West and Phase II West, the impact is not expected to be material. Details can be referred in the joint announcement issued on 14 August 2012 by the Company and HHL.

The GS Superhighway is now adapting to the impact of the new tariff while its average daily toll revenue was approaching RMB9 million, with RMB8.7 million recorded in July 2012. Nevertheless, the Group believes the impacts from the implementation of Tariff Proposal will be stabilizing in the next few months.

Partial Opening of Coastal Expressway

A 41-kilometre stretch of the 59-kilometre Guangzhou-Dongguan section of the Coastal Expressway was opened in mid-January 2012. Between January to June 2012, the average daily traffic volume of the GS Superhighway increased by 1%.

The GS Superhighway still remains a more competitive option, considering the total travelling distance and total toll charge for vehicles travelling on the Coastal Expressway and its connecting expressways. Its advantages include its convenient access to populous downtown areas and major expressways, as well as its well-equipped facilities and high-quality services.

For example, the GS Superhighway has over 60 patrol vehicles and towing vehicles in the fleet, plus a professional patrol and rescue team of more than 200 staff who provide highly efficient services in the event of vehicle breakdowns and accidents. It is fully illuminated, and it has over 160 traffic surveillance cameras monitoring its entire main alignment. 5 traffic police stations line the route, and 4 service areas and petrol stations are in operation. All these facilities ensure users of the GS Superhighway enjoy a safe, convenient and comfortable journey and that they receive high standards of service. The Group believes up to now the impact of the opening of the new stretch of the Coastal Expressway, which has opened so far, on the GS Superhighway has been minimal.

Latest media reports said the remaining 18 kilometres of the Coastal Expressway's Guangzhou-Dongguan section will be opened in phases before mid-2013, and the 30-kilometre Shenzhen section is scheduled for completion by the third quarter of 2013. Thus the Coastal Expressway will be fully completed by the third quarter of 2013. However, given the above-mentioned competitive advantages of GS Superhighway and Guangdong's continuing economic growth, the Group believes GS Superhighway will continue to be the province's leading traffic artery.

Operating Environment

At around 2 million vehicles, Guangzhou has the second highest car-ownership figure in Guangdong. Since 1 July 2012, it has capped the number of the increase in ownership of small and medium-sized passenger vehicles at 120,000 a year, on a trial basis for one year. This policy aims to improve the quality of Guangzhou's environment, and also to enhance its transportation system by relieving traffic congestion in its downtown districts. The Group believes this will have an insignificant impact on its expressways, since the car ownership in Guangdong is expected to maintain steady growth.

The first phase of the cross-border Ad-hoc Quotas Trial Scheme for private cars was launched in late March 2012. Hong Kong private cars with five seats or less can now be driven into Guangdong Province via Shenzhen Bay Port and remain in Guangdong for up to seven days. As of 31 July 2012, more than 300 drivers had brought their private cars from Hong Kong to China under the scheme. The Group's expressways may benefit from it in the longer term, as more travellers are allowed to drive their cars to cross the border.

The Guangdong Government is currently studying the implementation of a toll-by-weight system on expressways in the PRD region. Those expressways in which the Group has invested may benefit from such an initiative, since it would reduce the number of overloaded trucks.

Sustained Efforts to Enhance Service Standards

Expansion and Improvement Works

The Group has been proactively monitoring the traffic on its expressways, and it has adopted effective management measures to increase their efficiency, safety and the quality of their services.

To increase their throughput capacity in the face of the growing traffic volume, 2 busier sections of the GS Superhighway have been widened to a total of 10-lane in dual directions. These are the 3.5-kilometre section between the Wudianmei and Taiping interchanges, which was widened from 6 to 10 lanes in June 2011, and the approximately 2-kilometre section between the Fuyong and Hezhou interchanges, adjacent to Shenzhen International Airport, which was widened from 8 to 10 lanes in May 2012. Widening work on these sections has now been completed and they are open to traffic. Traffic pressure during peak hours has been relieved on the widened sections and the number of accidents has significantly declined. The average speed and number of vehicles passing through them and between them as well as nearby interchanges have risen as well, thus helping to maintain a smooth flow of traffic throughout the GS Superhighway.

To facilitate the merger of toll networks in Guangdong's Central District and Guangzhou District, the GS Superhighway's Guangzhou toll station was expanded and reconfigured, and unnecessary toll plazas on it were removed during the second quarter of 2012. The toll station's reconfiguration has not only reduced the number of stops required for the toll collection process and thus increased throughput, it has also

helped to reduce the GS Superhighway's operating cost. The merger of the province's toll networks has greatly boosted the efficiency of its expressway transportation system, thus benefiting all its users.

Electronic Toll Collection ("ETC")

The JV companies have been making continuous progress in raising the operational efficiency of the GS Superhighway, Phase I West and Phase II West in order to cope with its increasing traffic by installing automated equipment. ETC lanes have been installed at nearly all the entrances and exits on our expressways, which has reduced the average length of time vehicles spend at them. As of 30 June 2012, the GS Superhighway had 68 ETC lanes on it, the highest number of ETC lanes on any expressways in Guangdong Province. The continuous rise in the number of Guangdong Unitoll Card users also significantly increased the usage of ETC lanes during the year, a trend that looks set to continue. Moreover, 80 new automatic card-issuing machines were installed and went into operation at all the entrances to the GS Superhighway. Around 60% of all the toll lanes at the GS Superhighway entrances now have either ETC lanes or automatic card-issuing machines. These automated facilities have helped to contain the number of toll collection staff required at a reasonable level, and they have also helped to control the operating cost of the GS Superhighway JV.

Strengthened Monitoring of Toll Integration

The GS Superhighway, Phase I West and Phase II West have been integrated into Guangdong's toll integration network since 2005 and 2010 respectively. During the year, the Group entered into a conditional agreement to acquire a 2.4% shareholding in Guangdong Unitoll Collection Incorporated, which operates the clearing house that centralizes and manages data concerning the daily toll revenues collected by all expressways in Guangdong, for settlement via its toll integration network. This will enable the Group to communicate more closely with Guangdong Unitoll Collection Incorporated, and thus monitor its operations and development plans better.

Project Development

Construction of Phase III West has been advancing smoothly, and it will be completed by the first quarter of 2013 around Lunar New Year, earlier than originally scheduled. It will then become the most direct and shortest link between Zhongshan and Zhuhai and the entire Western Delta Route will have been completed. The Western Delta Route will be the main artery of a regional expressway network spanning the western bank of the PRD and providing a direct route for road users between Guangzhou, Foshan, Shunde, Zhongshan and Zhuhai. The travelling time between Guangzhou and Zhuhai will be greatly reduced, from approximately two and a half hours at present to around one hour. Moreover, the completion of the HZM Bridge, which is scheduled for late 2016, will further expand the regional expressway network on the PRD's western bank to link it directly with Macau and Hong Kong. This will help to strengthen the region's economic integration and it will further boost the Western Delta Route's traffic and toll revenue.

The Group will endeavour to expedite the completion of Phase III West to offer the region's road users a more comprehensive and efficient expressway network. It will also further enlarge the Group's revenue base, and the entire Western Delta Route's traffic and toll revenue will benefit from the synergy it will create.

Group Financing

The 2-year RMB corporate bonds with a total value of RMB1,380 million issued by the Company to institutional investors in July 2010 matured in July 2012. Having signed a HK$300-million revolving banking facility in January 2012, the Company arranged a further RMB1,600 million bank loan facility in May 2012, which helps to further diversify the Group's source of funding. The latter consists of a term loan facility in an aggregate amount of RMB1,000 million plus a revolving credit facility in an aggregate amount of RMB600 million for a tenor of 3 years from May 2012. The HK$ and RMB facilities are intended for use as the Company's general working capital and, together with its internal resources, to repay its RMB1.38 billion corporate bonds. The facilities, the second tranche of RMB corporate bonds with a total value of RMB600 million issued in May 2011, and its own internal resources will provide the Company with sufficient financial resources to fulfill its remaining funding requirement of the Western Delta Route, with no financing need for itself before 2015. They will also help to maintain a healthy balance sheet for exploring new projects.

HHI was invited by Hong Kong Government to share its experience in issuing RMB Bonds and using cross border RMB services (December 2011)

The Group has obtained approval from the relevant PRC authorities to use RMB to inject RMB980 million of registered capital and to provide shareholder's loans totalling RMB1,100 million to the West Route JV in respect of Phase III West. This will help to fill the funding gap and it will serve to keep the construction of Phase III West on course for completion ahead of its scheduled completion date by the first quarter of 2013 around Lunar New Year when banking credits have been tightened in the PRC. As at 30 June 2012, the Group had contributed its full share of registered capital to the West Route JV, a total amount of RMB980 million. It had also advanced shareholder's loans totalling RMB530 million to the West Route JV with respect to Phase III West. These payments were made from proceeds received from the issue of RMB corporate bonds. RMB30 million of the shareholder's loan to the West Route JV was outstanding as of 30 June 2012 after the West Route JV repaid RMB500 million to the Company in accordance with the repayment schedule during the year under review. The remaining funding requirement is fully covered by banking facilities.

The relevant PRC authorities are currently processing the West Route JV's application for increasing the investment in Phase II West to RMB7,200 million. Once approval has been obtained, additional registered capital can be injected into the West Route JV in respect of Phase II West and additional project loans can be borrowed from PRC banks. For interim financing, the GS Superhighway JV has advanced RMB731 million to the West Route JV in the form of intercompany borrowings to settle the payments related to the construction of Phase II West and to make efficient use of the two JV companies' financial resources. To settle other outstanding construction payments for Phase II West and make efficient use of its internal resources, the Company is actively considering to advance another shareholder's loan to the West Route JV of not more than RMB1,500 million as interim financing for Phase II West. If so, the West Route JV will then be able to fully repay its RMB731 million intercompany borrowing to the GS Superhighway JV. The Company plans to provide financial support to Phase II West until the application to increase the project cost is approved and its related project bank loan is in place. Taking the outstanding balance of shareholder's loan for Phase III West of RMB30 million into account, as well as the proposed shareholder's loans of RMB1,500 million for Phase II West, the Group's exposure in the Western Delta Route will increase from 18% to 26% of the total investment in the project.

As of 30 Jun 2012 (JV Level)	Planned Investment RMB million	Equity		Bank Loans and Others RMB million	Target Shareholder's Loan[N1] as Interim Financing (Max.) RMB million
		Injected RMB million	Approved/ Required (%)		
Phase II West[N3]	7,200	1,715[N2]	24%	3,990[N5]	1,500[N4]
Phase III West	5,600	1,960	35%	3,610	30
Total	**12,800**				

N1: Present planning, subject to change. RMB30 million shareholder's loan for Phase III West represent the outstanding amount as of 30.6.2012
N2: RMB403 million planned to be injected by each of HHI & JV partner as equity in FY13, subject to government's approval for the increase in project cost
N3: Present planning. The financing structure will change after government approves the increase in project cost
N4: Including repayment of RMB731 million inter-company borrowing to GS Superhighway JV
N5: Of which RMB3,890 million are bank loans and "others" include operating cash

HHL, HHI and Bank of China established strategic cooperation in cross border financial and RMB services (May 2012)

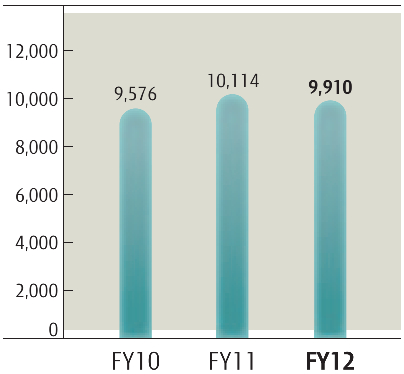
Based on preliminary assessment and assuming government's approval for the increase in project cost of the Phase II West has yet been obtained and other factors remain unchanged, the West Route JV should be able to repay all shareholder's loans from the Company by 2018, given its increasing cash flow from toll income.

Project Summary
Guangzhou-Shenzhen Superhighway

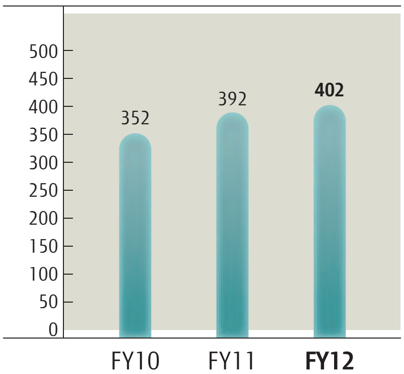
Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lanes	A total of 6 lanes in dual directions, except for certain sections being 10 lanes
Class	Expressway
Toll Collection Period	July 1997 - June 2027
Profit Sharing Ratio	Year 1 - 10: 50%; Year 11 - 20: 48%; Year 21 - 30: 45%

The GS Superhighway is the main expressway connecting the PRD region's three major cities - Guangzhou, Dongguan, Shenzhen and Hong Kong. Traffic on the GS Superhighway is being continuously fuelled by the increasing number of cars in Guangdong, which at the end of 2011 amounted to 9.1 million vehicles, a 16.4% rise on the figure a year earlier. During the year under review, the GS Superhighway's average daily toll revenue decreased by 2% year-on-year to RMB9.9 million, whereas its total toll revenue amounted to RMB3,627 million. Meanwhile, its average daily traffic volume increased by 3% to 402,000 vehicles.

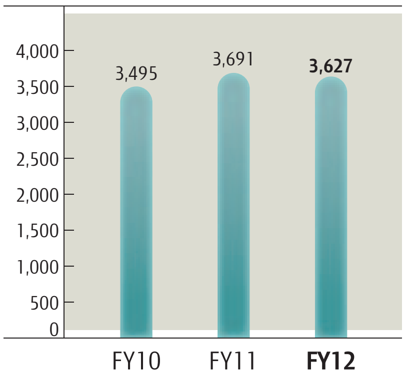
GS Superhighway
Average Daily Toll Revenue
(RMB thousand)



GS Superhighway
Average Daily Traffic
(No. of vehicles in thousand)



GS Superhighway
Annual Toll Revenue
(RMB million)



Management Discussion and Analysis

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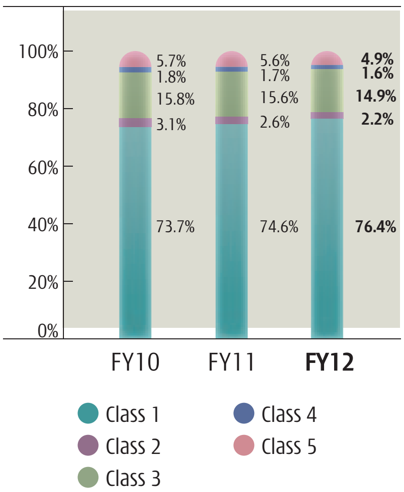
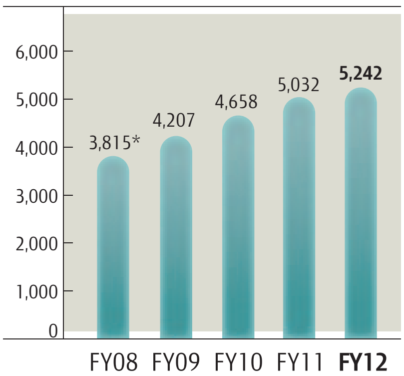
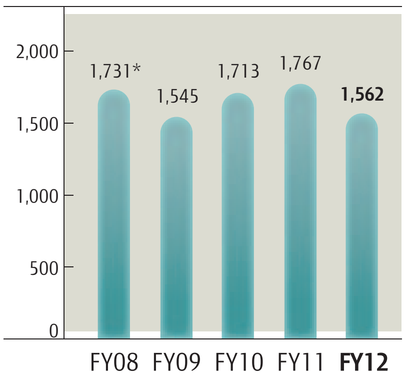
GS Superhighway
Traffic Breakdown by Class



Class 1 -
Average Daily Toll Revenue
(FY08-FY12)
(RMB thousand)



Class 4 & 5 -
Average Daily Toll Revenue
(FY08-FY12)
(RMB thousand)



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

Driven by the continuous growth in the car ownership in Guangdong and sales of passenger vehicles, the traffic volume and toll revenue derived from Class 1 small cars reached historical high levels during the year under review. In April 2011, all the toll stations on National Highway 107 in Shenzhen and Dongguan were removed, making the entire route toll-free. As a result, some vehicles (mainly Class 4 and Class 5 commercial trucks) that had previously used the GS Superhighway reverted to using National Highway 107. Thus the traffic volume and toll revenue derived from them declined, although the drop has stabilized during the year under review. Meanwhile, Class 1 small cars accounted for 76.4% of the GS Superhighway's total traffic volume, and the average toll revenue per vehicle per kilometre declined by 4% from RMB0.91 to RMB0.87, due to the higher percentage of Class 1 small cars. Contribution from Class 1 small cars continued to rise, accounting for 59% of the GS Superhighway's toll revenue in July 2012.

After the implementation of the revised tariff on 1 June 2012, by comparing the toll revenues between June 2012 and June 2011, the average daily toll revenue of the GS Superhighway significantly dropped by 16.7% and 15.3% between July 2012 and July 2011. However, a slight increase of traffic volume at the GS Superhighway has been observed. The average daily traffic volume in June and July 2012 increased 6% and 7% year-on-year to 420,000 vehicles and 435,000 vehicles respectively. Both Classes 1 and 3 vehicles have recorded year-on-year traffic growth. Class 1 small cars showed the highest traffic growth, with year-on-year growth of 8% recorded in both June 2012 and July 2012. Class 3 vehicles also recorded year-on-year traffic growth of 3% and 5% respectively in the same months.

As discussed earlier in the section headed "Partial Opening of Coastal Expressway", the impact of the opening of the Guangzhou-Dongguan section of the

Coastal Expressway on the GS Superhighway has been minimal so far. Between January to June 2012, the average daily traffic volume on the GS Superhighway increased by 1% year-on-year. Given the GS Superhighway's competitive advantages in terms of its strategic geographical location, well-equipped facilities and high-calibre services, as well as the Guangdong's continuous economic growth, the Group believes the GS Superhighway will remain the province's key traffic artery.

Despite the partial opening of the Coastal Expressway and the implementation of the Tariff Proposal, traffic volume for all five classes of vehicles on the GS Superhighway increased in June 2012 compared to the average figure for March to May 2012 as shown under the paragraph headed "Implementation of Guangdong Tariff Proposal". This indicates the underlying growth in traffic volume remains.

The GS Superhighway JV has been making continuous progress in raising the operational efficiency of the GS Superhighway and its ability to cope with increasing traffic by installing automated equipment. As mentioned in the previous section headed "Electronic Toll Collection", ETC lanes or automatic card-issuing machines have now been installed at about 60% of all the toll lanes at entrances to the GS Superhighway, giving it more ETC lanes than any other expressways in Guangdong. These not only help to contain the number of toll collection staff required at a reasonable level, they also help to control the operating cost of the GS Superhighway JV.

Moreover, the GS Superhighway JV has installed weighing equipment at 30 toll lanes to identify overloaded green-lane trucks that are not entitled to toll exemption more efficiently and effectively. At the same time, it is actively studying a toll-by-weight system.

In January 2012, the GS Superhighway collaborated with the Guangdong Provincial Communications and Transportation Bureau and the Traffic Management Department of Guangdong Provincial Public Security Bureau in their joint public campaign to promote traffic safety, management and service standards. Closer cooperation between the GS Superhighway JV and traffic police through the campaign has resulted in a substantial drop in the number of traffic accidents along the GS Superhighway and the average time required to clean up the scene of accident has also shortened. Consequently, the traffic flow has become considerably smoother. These achievements and the enhancement in the GS Superhighway's overall service standards have been well recognized by the above-mentioned official bodies and the public. In July 2012, it became the first and only expressway in Guangdong to be awarded the title of "Model Highway of Civilized Traffic Management" ("文明交通示範公路"). The Group and its JV companies will continue to make every effort and take up this exemplary role to ensure the safety and comfort of road users, which has always been their top priority.

Besides operating the rescue and towing services on the Guangzhou and Dongguan sections, the GS Superhighway JV's rescue team extended its scope by taking over the rescue and towing services on the Shenzhen section in January 2012, thus making it one of the very few expressways in Guangdong to be covered entirely by its own rescue and towing services. It has more than 60 patrol vehicles and towing vehicles in the fleet and employed more than 200 professional patrol and rescue staff to ensure high-quality service.

The GS Superhighway JV put a lot of efforts in environmental protection during the year. It replaced all the light bulbs at the toll plazas with energy-saving lights including LED ones, which reduce their energy consumption. In addition, it replaced all T8 fluorescent light tubes with more energy-efficient T5 ones. The GS Superhighway JV is now piloting the installation of LED lights at a 10-kilometre section along the main alignment. If they perform satisfactorily, the JV will install LED lights throughout the main alignment in the near future.

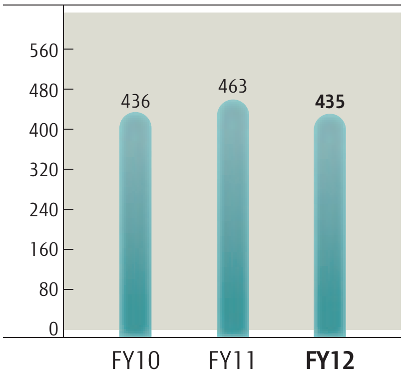
Additional landscaping works along both sides of the Guangzhou and Dongguan sections of the GS Superhighway were upgraded during the year under review. These have given the expressway a more beautiful green look and improved roadside air quality, thus providing all its users with a more pleasing driving experience.

Project Summary
Phase I of the Western Delta Route

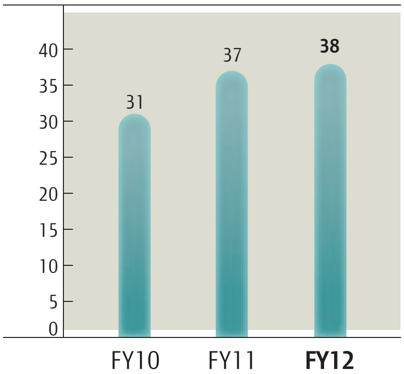
Location	Guangzhou to Shunde, Guangdong, PRC
Length	14.7 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	September 2003 - September 2033
Profit Sharing Ratio	50%

Phase I West is a 14.7-kilometre closed expressway with a total of 6 lanes in dual directions. It connects with the Guangzhou East-South-West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. During the year under review, Phase I West's average daily traffic volume increased by 2% year-on-year to 38,000 vehicles, whereas its average daily toll revenue declined by 6% to RMB435,000. Its total toll revenue for the entire financial year amounted to RMB159 million.

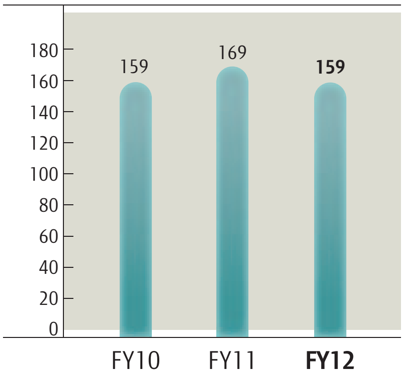
Phase I West
Average Daily Toll Revenue
(RMB thousand)



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



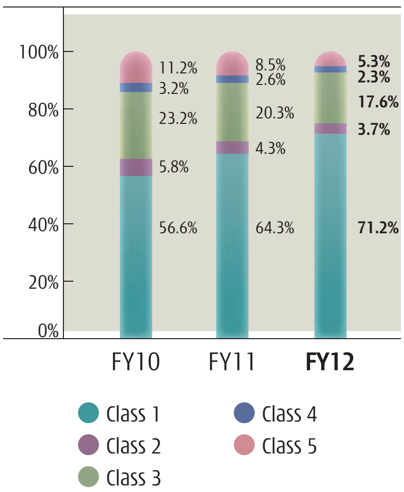
Phase I West
Annual Toll Revenue
(RMB million)



Management Discussion and Analysis

Business Review

Phase I West
Traffic Breakdown by Class



Since the revised tariff was implemented on 1 June 2012, Phase I West's average daily toll revenue has decreased by 2% year-on-year in June 2012 and increased by 2% in July 2012, thus indicating its minimal impact.

Following the opening of Phase II West in June 2010, Phase I West and Phase II West have formed the main expressway between Guangzhou and downtown Zhongshan; and they have reduced the travelling time between the two cities from one hour via local roads to approximately 30 minutes. The synergy between the two phases has resulted in a rapid growth in the traffic and toll revenue of Class 1 small cars on Phase I West, which accounted for 71.2% of its total traffic volume compared with 64.3% the previous year. Meanwhile, the average toll revenue per vehicle per kilometre declined by 7% from RMB0.86 to RMB0.80.

The drop in the toll revenue of Phase I West during the year under review was mainly due to the intensified traffic restriction measures associated with the maintenance works on Yajisha Bridge, which prohibited trucks weighing over 15 tons from using Yajisha Bridge on the Guangzhou East-South-West Ring Road from mid-July 2011 onwards. However, this work was completed at the end of December 2011, and the restriction was subsequently lifted. As a result, traffic on Phase I West has since started to pick up. Its average daily toll revenue and average daily traffic have gradually rebounded from RMB409,000 and 35,000 vehicles in August 2011 to RMB427,000 and 40,000 vehicles in June 2012. In particular, the traffic and toll revenue for Class 1 vehicles continued to grow and those for Classes 4 and 5 vehicles were picking up, despite the latter had not returned to the levels before the Yajisha Bridge started maintenance works. This was mainly due to removal of the toll station on National Highway 105 near Phase I West's Bijiang interchange in January 2012 and the section between Guangzhou and Bijiang of National Highway 105 became toll free since then. Therefore, some trucks travelling to and from Guangzhou that previously used Phase I West have since diverted to using National Highway 105. The continuous growth in the traffic and toll revenue of Class 1 small cars outweighed the setback from Classes 4 and 5 commercial trucks, resulting in a 2% increase in the average daily traffic for Phase I West during the year under review. The Guangzhou Municipality Government is currently considering imposing traffic restriction on trucks weighing more than 15 tons on the Guangzhou Ring Road. The date and details of implementation have not been announced. The Group will continue to monitor the situation and its possible impact on Phase I West.

Project Summary

Phase II of the Western Delta Route

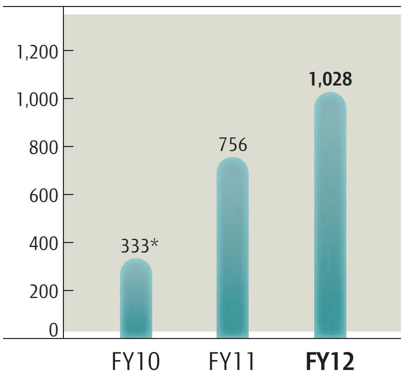
Location	Shunde to Zhongshan, Guangdong, PRC
Length	45.5 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	June 2010 - June 2035 (Subject to the approval of the relevant PRC authorities)
Profit Sharing Ratio	50%

A 45.5-kilometre closed expressway with a total of six lanes in dual directions, Phase II West is connected to Phase I West at Shunde to the north and Phase III West at Zhongshan to the south. It is also linked with National Highway 105, Guangzhou Southern Second Ring Road, Jiangmen-Zhongshan Expressway and Xiaolan Highway (which has been partially opened).

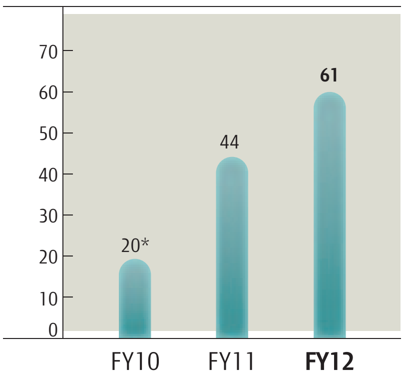
The traffic volume and toll revenue of Phase II West have continued to grow strongly ever since it opened in June 2010. During the year under review, the average daily traffic volume rose by 39% to 61,000 vehicles, whereas the average daily toll revenue grew by 36% to RMB1,028,000. Its total toll revenue for the year amounted to RMB376 million.

The implementation of the revised tariff on 1 June 2012 has had no impact on Phase II West. In fact, its average

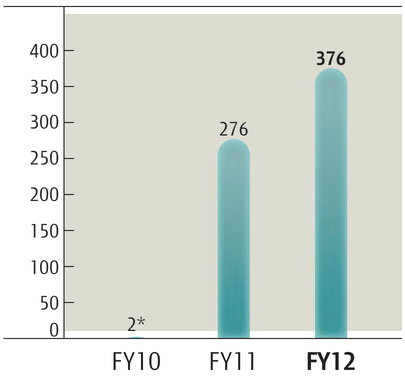
Phase II West
Average Daily Toll Revenue
(RMB thousand)



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

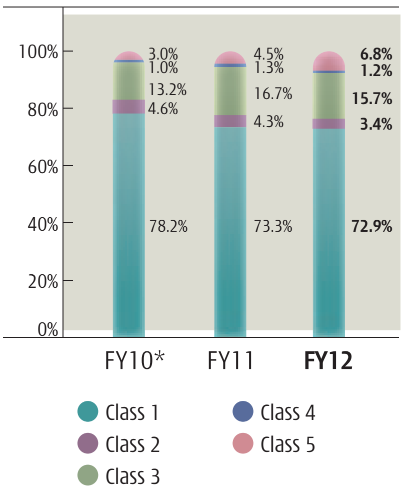


Phase II West
Annual Toll Revenue
(RMB million)



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

Phase II West
Traffic Breakdown by Class



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

daily toll revenue was 34% and 30% higher in June and July 2012 respectively compared with the same months last year.

The network of highways connecting with Phase II West is becoming increasingly comprehensive. Guangzhou Southern Second Ring Road – which provides a direct highway connection to Phase II West for vehicles between Gaoming, Shunde and Nanhai Districts of Foshan, as well as the Panyu District of Guangzhou – has become one of its principal expressway connections and helped boost the traffic of Phase II West since it opened in December 2010. A direct connection to Zhongshan downtown, which links with southern end of Phase II West, was opened on 28 April 2012. This provides a faster and more convenient route to downtown Zhongshan. Its enhanced connectivity is attracting more vehicles heading to and from Zhongshan downtown and its western district to Phase II West. A steady increase in traffic has been observed, further boosting the growth of Phase II West's traffic and toll revenue. The region's economic growth and the development of its comprehensive peripheral road network lead the Group to believe that Phase II West's traffic volume and toll revenue will continue to grow robustly.

By the second half of FY11, the toll revenue of Phase II West had achieved the Group's target of operating cash flow breakeven (after taking interest expense payments into account) i.e. an average daily toll revenue of RMB800,000, during its first year of operation. In fact, Phase II West has continued to exceed this target, and it recorded a net cash inflow (from operations and after taking interest expense payments into account) and 36% increase in EBITDA during the year under review. Given the momentum of economic growth in the surrounding regions and Phase II West's improved connectivity, the Group expects it to become profitable in 2014 even without the synergy that will be created by the opening of Phase III West. Due to increased interest rate and the additional project loans as below mentioned, profit breakeven now requires average daily toll revenue in excess of RMB1.5 million (equal to annual toll revenue of RMB12.0 million per kilometre), which is higher than the previous estimate of RMB1.3 million. The average daily toll revenue of Phase II West reached RMB1.2 million in June 2012, and its annual toll revenue per kilometre reached RMB8.3 million in FY12, compared to RMB10.8 million for Phase I West. The synergy between Phase II West and Phase III West (which is due to open ahead of schedule in the first quarter of 2013 around Lunar New Year) makes the Group optimistic the former will become profitable earlier.

The relevant PRC authorities are currently processing the West Route JV's application to increase the investment in Phase II West to RMB7,200 million. Once approval has been obtained, additional registered capital can be injected into the West Route JV and additional project loans can be borrowed. For interim financing, the GS Superhighway JV has advanced RMB731 million to the West Route JV in the form of intercompany borrowings to settle the payments related to Phase II West's construction and to make efficient use of the two JV companies' financial resources. To settle other outstanding construction payments for Phase II West and make efficient use of its internal resources, the Company is also actively considering to advance a shareholder's loan to the West Route JV as interim financing for Phase II West. The amount involved will not exceed RMB1,500 million. If so, the West Route JV will then be able to fully repay its RMB731 million intercompany borrowing to the GS Superhighway JV.

Project Summary
Phase III of the Western Delta Route

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

Phase III West will be an approximately 38-kilometre closed expressway with a total of 6 lanes in dual directions. It will connect to Phase II West at Zhongshan to the north, and extend southwards to link with the Zhuhai highway network, thus offering direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau, and a connection to the forthcoming HZM Bridge.

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

Construction work on Phase III West commenced in December 2009, and it has been progressing smoothly. All the land required for its construction had been acquired, and around 80% of the construction works had been completed as of 30 June 2012. The Group will endeavour to speed up its construction to ensure that it is completed and opened ahead of schedule during the first quarter of 2013 around Lunar New Year. The opening of Phase III West will complete the Western Delta Route as an expressway link between the downtown areas of Guangzhou and Zhuhai, and it will halve the journey time between them from approximately two and a half hours at present to around one hour.

The planned total investment for Phase III West is currently RMB5,600 million. The project is adequately funded by registered capital, available banking facilities and shareholder's loans. As of 30 June 2012, the Group had contributed the full amount of registered capital, a total of RMB980 million, and it has advanced shareholder's loans totalling RMB530 million to the West Route JV in order to maintain the progress of Phase III West's construction. The outstanding amount of the shareholder's loans was RMB30 million as of 30 June 2012, following the West Route JV's repayment of RMB500 million to the Company during the year under review. The remaining funding requirement is fully covered by banking facilities. The project's well-funded status leads the Group to feel confident it can be completed earlier than scheduled during the first quarter of 2013 around Lunar New Year.

The completion of Phase III West will also mark the completion of the entire Western Delta Route, which will become the main artery of a regional expressway network spanning the PRD's western bank. As a strategic expressway comprehensively covering the most affluent cities on the PRD's western bank and offering direct access to Macau and Hong Kong, the Western Delta Route will undoubtedly benefit from the region's prosperity and its huge development potential.

The total length of Western Delta Route will be approximately 98.2 kilometres. It will run through Guangzhou, Foshan, Shunde, Zhongshan and Zhuhai, all of which are prosperous municipalities on the PRD's western bank. Of these, Foshan's economic strength closely follows that of Guangzhou and Shenzhen. With a GDP amounting to RMB660 billion in 2011 and a total permanent population of more than 7.2 million, it now ranks as the Guangdong's third-largest economy, just behind Guangzhou and Shenzhen and ahead of Dongguan. Shunde, Foshan's most-prosperous district, accounted for 34.4% of Foshan's GDP in 2011. The Western Delta Route is the only expressway that connects the entire Shunde District from the north to the south, and it provides the fastest and most direct link between Guangzhou, Zhongshan and Zhuhai.

Zhongshan's economy has grown particularly fast in the past five years. The continuous enhancement of its infrastructure and the development of its pillar industries will surely sustain this trend in the future. The city's Twelfth Five-Year Plan emphasizes the accelerated development of its manufacturing and service sectors, as well as newly-emerging industries, including the biomedical, high-end electronics and renewable energy sectors. In contrast to the Guangdong's moderate 7.4% GDP growth during the second quarter of 2012, Zhongshan's GDP leapt by 9.3% the second-highest figure among all the cities in the PRD region.

Comparing the concentration of wealth in those cities, Foshan and Zhongshan's GDP per 100 square kilometres of land is comparable to that of Guangzhou. Guangzhou generated a total GDP of RMB16.9 billion per 100 square kilometres in 2011, whereas Foshan and Zhongshan generated RMB17.1 billion and RMB12.2 billion respectively. In terms of population density, Foshan and Zhongshan had permanent populations per 100 square kilometres of 188,000 and 175,000 respectively in 2011, both higher than Guangzhou's 174,000 in 2010. The figures for car ownership per 100 square kilometres put Foshan, Zhongshan and Guangzhou on the same tier, with 27,000, 24,000 and 26,000 vehicles respectively.

Hengqin in Zhuhai has become China's third State-level Strategic New Zone after Shanghai's Pudong District and Tianjin's Binhai area. It is being positioned as a new growth hub focusing on the development of business services, tourism, technological research and the cultural sector. A Free Trade Zone with preferential tax treatments for corporations will also be established in Hengqin to attract more investments to boost its economic development. Around RMB100 billion will be invested in the development of business centres, tourist facilities, universities and other ancillary infrastructure in the New Zone during the period of the Twelfth Five-Year Plan.

Moreover, the number of Mainland tourists travelling to Macau has substantially risen during the past few years, with growth of 28% recorded in 2011. The closer economic integration of Zhuhai and Macau will increase the frequency of bilateral economic and trade activities, thus boosting demand for transportation. The Western Delta Route, which connects with Zhuhai at its southern end, will benefit from the thriving development of Macau's tourism sector and growing transportation needs.

All in all, Zhuhai's own prosperous future development (which will mainly be driven by Hengqin New District), the opening of the HZM Bridge scheduled in late 2016, and the on-going strong economic growth of nearby Macau will all help to set the scene for a continued increase in the traffic volume of the Western Delta Route.

The Group estimates that Phase III West's toll revenue will achieve its operating cashflow breakeven target (after taking interest expense payments into account) in the first-full year of its operation in FY14, i.e. average daily toll revenue of RMB800,000 or annual toll revenue equal to RMB7.6 million per kilometre. It will attain a net profit when the average daily toll revenue exceeds RMB1.2 million (equal to annual toll revenue of RMB11.5 million per kilometre). With all of its three phases completed during 2013, the target for the West Route JV to become profitable will be soon after the opening of the HZM Bridge in 2016. The West Route JV will achieve cash flow breakeven and have net cash inflow for loan repayment in 2014.

Financial Review

The Group's performance for the year ended 30 June 2012 was as follows:

	Year ended 30 June					
	2011			**2012**		
	Net toll revenue HK$ million	EBIT HK$ million	Results HK$ million	**Net toll revenue HK$ million**	**EBIT HK$ million**	**Results HK$ million**
Project contributions:						
GS Superhighway[(Note)]	2,021	1,403	978	**2,068**	**1,449**	**993**
Phase I West	96	63	44	**95**	**62**	**42**
Phase II West	158	81	(55)	**223**	**121**	**(45)**
Net toll revenue/EBIT/Net profit of projects	2,275	1,547	967	**2,386**	**1,632**	**990**
Year-on-year change				***+5%***	***+5%***	***+2%***
Corporate results:						
Bank deposits interest income			76			**106**
Interest income from loans made by the Group to a jointly controlled entity			7			**29**
Management fee income from jointly controlled entities			2			**2**
General and administrative expenses			(48)			**(58)**
Finance costs			(53)			**(67)**
Income tax expenses			(3)			**(11)**
			(19)			**1**
Net exchange gain, net of income tax expenses			89			**50**
Profit for the year			1,037			**1,041**
Portion attributable to non-controlling interests			(19)			**(18)**
Profit attributable to owners of the Company			1,018			**1,023**

Note: Excluding exchange differences on US Dollar and HK Dollar loans, and related income tax expenses.

The Group's proportionate share of the aggregate net toll revenue of its expressway projects grew by 5% to HK$2,386 million during the year ended 30 June 2012, compared to HK$2,275 million for the same period in 2011. This was mainly due to a surge in the traffic volume of Phase II West and the appreciation of RMB during the year. The Group's toll revenue has grown continuously ever since the opening of Phase II West in June 2010. The GS Superhighway's toll revenue for the month of June 2012 was affected adversely by the adoption of a revised tariff to conform to the Tariff Proposal for all expressways in Guangdong Province on 1 June 2012. However, as the tariff of the Western Delta Route was little affected by Tariff Proposal, its impact was minimal. Although the toll revenue of Phase I West declined as the result of intensified traffic restriction measures imposed on trucks weighing more than 15 tons being prohibited from using the Yajisha Bridge on the Guangzhou East-South-West Ring Road between July and December 2011, the continuous growth in the volume of traffic and the toll revenue of Phase II West led to a 25% increase in the Group's proportionate share of the aggregate toll revenue attributable to Phase I West and Phase II West. The GS Superhighway, Phase I West and Phase II West contributed 87% (or HK$2,068 million), 4% (or HK$95 million) and 9% (or HK$223 million) respectively to the Group's proportionate share of their aggregate net toll revenue.

While the depreciation charges of the two JV companies increased and their staff costs rose, the aggregate EBIT (excluding an exchange gain on the GS Superhighway JV's US Dollar and HK Dollar loans and related income tax expenses) rose by 5% year-on-year, from HK$1,547 million to HK$1,632 million. This was attributable to the GS Superhighway JV's efforts in controlling its other overheads and reducing expenditure on non-recurring repairs and improvement works during the year under review and the increase in interest income on intercompany borrowings provided by the GS Superhighway JV to the West Route JV in respect of Phase II West.

Taking into account an increase in the Enterprise Income Tax ("EIT") rate payable by the GS Superhighway JV from 22% in 2010 to 24% in 2011 and 25% in 2012, plus an increase in PRC bank loan interest rates, the aggregate net profit of the three projects (excluding an exchange gain on the GS Superhighway JV's US Dollar and HK Dollar loans and related income tax expenses) grew by 2% from HK$967 million to HK$990 million, year-on-year.

Phase II West opened on 25 June 2010, and its toll revenue during the second half of FY11 attained the Group's target of achieving operating cash-flow breakeven (after taking into account interest expense payments), the equivalent of average daily toll revenue of RMB800,000, during its first year of operation. Phase II West's toll revenue therefore exceeded the amount needed to cover the project's expenses, including finance costs, and a net cash inflow (from operations and after taking interest expense payment into account) was recorded. Despite increased finance costs, the continuous growth of Phase II West's toll revenue resulted in an improvement from a net loss of HK$55 million to a net loss of HK$45 million, while the Group's proportionate share of Phase II West's EBITDA grew 36% to HK$186 million during the year under review.

The profit attributable to owners of the Company increased slightly by 0.5% from HK$1,018 million to HK$1,023 million. The increase in net toll revenue and interest income were largely offset by a decline in the net exchange gain on the GS Superhighway JV's loans denominated in US Dollar and HK Dollar.

Consolidated Statement of Comprehensive Income

During the year ended 30 June 2012, the Group's consolidated operating, general and administrative expenses increased by less than 1%, from HK$352 million to HK$354 million year-on-year. This was mainly attributable to increased staff costs being offset by savings on the overheads of the two JV companies, as well as the reduction in expenses for non-recurring repairs and improvement works on the GS Superhighway.

The increase in consolidated depreciation and amortization charges, from HK$435 million to HK$486 million year-on-year, was the result of the appreciation of RMB, additions of assets for the GS Superhighway and a surge in Phase II West's average daily traffic.

The Group's total consolidated finance costs rose by 14%, from HK$241 million to HK$273 million. This was mainly due to a rise in the interest rates for RMB bank loans relating to Phase I West and Phase II West (the People's Bank of China's borrowing rates for RMB loans with a tenor over five years stood at 7.05% during the year under review, compared to 5.94% to 6.8% the previous year) as well as the full-year impact of the bond interest expenses in respect of the Company's second tranche of RMB corporate bonds, with a total amount of RMB600 million, which was issued in May 2011. Given the planned completion of Phase III West, the interest expenses associated with it will first be recorded in the second half of FY13.

The tax concessions for both the GS Superhighway and Phase I West were adjusted following the PRC's 2008 tax reform, and their EIT rates increased gradually to 25%. The rates applicable to the GS Superhighway rose from 22% in 2010 to 24% in 2011 and 25% in 2012, while the rates applicable to Phase I West increased from 11% in 2010 to 24% in 2011 and 25% in 2012. The EIT rate for the GS Superhighway and Phase I West will remain at 25% from 2012 until the expiry of the contractual operation periods of the respective projects. These increases in the JV companies' EIT liabilities did not have a significant impact on the Group's results during the year under review. Phase II West is exempt from EIT from 2010 to 2012. Its applicable rate from 2013 to 2015 will be 12.5%, and this will rise to 25% from 2016 until the expiry of the contractual operation period of Phase II West.

Liquidity and Financial Resources

The Group's debt balance consisted of the Company's RMB corporate bonds, which totalled to RMB1.98 billion, the Group's bank loans and its proportionate share of the non-recourse project loans of its PRC JV companies. As at 30 June 2012, its total debt to total assets ratio and gearing ratio (net debt to equity attributable to owners of the Company) were as follows:

	As at 30 June	
	2011 HK$ million	**2012** **HK$ million**
Total debt		
- Company and subsidiaries (including RMB corporate bonds and bank loans)	2,409	*(Note 2)* **3,706**
- JV companies	6,412	**7,295**
Net debt*(Note 1)*	5,019	**5,941**
Total assets	19,122	*(Note 2)* **21,502**
Equity attributable to owners of the Company	8,814	**8,884**
Total debt/total assets ratio	46%	*(Note 2)* **51%**
Gearing ratio	57%	**67%**

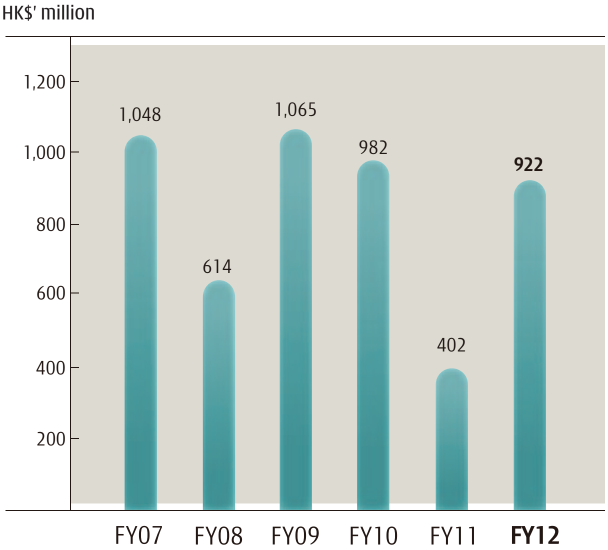
Note 1: Net debt is defined as total debts less bank balances and cash, together with pledged bank balances and deposits.

Note 2: If the repayment of RMB1.38 billion corporate bonds by the Company in July 2012 was taken into account, the total debt of the Company and its subsidiaries would be reduced from HK$3,706 million to HK$2,023 million whereas the balance of the total assets would be reduced from HK$21,502 million to HK$19,818 million. Hence, the total debt/total assets ratio would therefore be reduced from 51% to 47%.

The major source of the Group's operating cash inflow during the year under review was the dividends it received from the GS Superhighway JV, whereas its major operating cash outflow was the payment of dividends to the Company's shareholders and the Group's contribution to the registered capital for Phase III West. The Group will continue to optimize its balance sheet, improve its cash flow and strengthen its financial position.

As at 30 June 2012, the Group's bank balances and cash on hand (excluding JV companies) amounted to RMB3,756 million (2011: RMB2,856 million), equal to HK$4,582 million (2011: HK$3,439 million), or HK$1.55 per share (2011: HK$1.16 per share). The increase in the Group's bank balances and cash on hand is attributable to the drawdown of a RMB1,000 million term loan in June 2012, for the purpose of repaying the RMB1.38 billion corporate bonds that matured in July 2012. If the repayment of the RMB1.38 billion corporate bonds was taken into account, the Group's bank balances and cash on hand (excluding JV companies) would be amounted to RMB2,376 million, equal to HK$2,898 million, or HK$0.98 per share. The Group's net cash on hand (excluding JV companies) amounted to RMB718 million, equivalent to HK$876 million (after netting off the Company's RMB corporate bonds and the Group's bank loans), or HK$0.30 per share. The Group's bank balances and cash on hand will be sufficient to provide shareholder's loans for Phase II West and Phase III West, if needed. These, together with the stable cash dividends from the Group's toll roads, will also provide sufficient financial resources for future projects.

Dividends Received from the GS Superhighway JV by HHI (FY07 - FY12)



As at 30 June 2012, 99.9% (2011: 99.9%) of the Group's bank balances and cash on hand were denominated in RMB and 0.1% (2011: 0.1%) in HK Dollar. The bank balances and cash on hand of the JV companies proportionately shared by the Group amounted to HK$479 million (2011: HK$363 million). The Group received cash dividends of HK$922 million, HK$402 million, HK$982 million, HK$1,065 million, HK$614 million and HK$1,048 million from the GS Superhighway JV during FY12, FY11, FY10, FY09, FY08 and FY07 respectively. The reduction in the cash dividends from the GS Superhighway JV during FY11 and FY08 were mainly brought about by the intercompany borrowings provided by the GS Superhighway JV to the West Route JV in respect of Phase II West and the repayment of registered capital injected by the Group to the GS Superhighway JV respectively. The cash dividends from the GS Superhighway JV were restored during the year under review. An increase in cash dividends is expected upon the repayment of the intercompany borrowings by the West Route JV in respect of Phase II West to the GS Superhighway JV. The cash dividends received and receivable from the GS Superhighway JV make the Group confident that it has sufficient financial resources for its recurring operational activities, as well as its existing and potential investment activities. In anticipation of the full repayment on schedule of the existing bank loans of the GS Superhighway JV in 2019, the Group expects that the GS Superhighway JV's cash flow and the amount of cash dividends the Group receives from it will increase substantially thereafter.

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

As at 30 June 2012, the total bank and other borrowings of the JV companies proportionately shared by the Group, together with the RMB corporate bonds and RMB term loan raised by the Company as well as the Group's short-term bank loans, amounted to approximately HK$10,690 million (2011: HK$8,589 million) with the following profile:

(a) 77% (2011: 72%) consisted of bank loans and 23% (2011: 28%) of other loans (including RMB corporate bonds with a total value of RMB1.98 billion). The increase in the percentage of bank loans was due to the Company's RMB1,000 million term loan drawn; and

(b) 21% (2011: 29%) was denominated in US Dollar; 76% (2011: 67%) was denominated in RMB and 3% (2011: 4%) was denominated in HK Dollar. The increase in the percentage of RMB borrowings was due to the Company's RMB1,000 million term loan drawn.

The Group's net current assets decreased by 15% from approximately HK$2,328 million as at 30 June 2011 to approximately HK$2,020 million as at 30 June 2012. The decline was the result of the reclassification of RMB1.38 billion corporate bonds (which matured for repayment in July 2012) from non-current liabilities to current liabilities during the year under review.

Debt Maturity Profile

As at 30 June 2012, the maturity profile of the bank and other borrowings of the JV companies proportionately shared by the Group, the RMB corporate bonds and RMB term loan raised by the Company, together with the Group's short-term bank loans, were as shown below, together with the corresponding figures as at 30 June 2011:

	As at 30 June			
	2011		**2012**	
	HK$ million	%	**HK$ million**	**%**
Repayable within 1 year(Note 1)	317	4%	**2,129**	**20%**
Repayable between 1 and 5 years(Note 2)	4,080	47%	**3,844**	**36%**
Repayable beyond 5 years	4,192	49%	**4,717**	**44%**
	8,589	100%	**10,690**	**100%**

Note 1: RMB corporate bonds with a total value of RMB1.38 billion matured in July 2012. If the repayment of RMB1.38 billion corporate bonds by the Company was taken into account, the portion of debt repayable within 1 year would be reduced from HK$2,129 million to HK$445 million and the total debt would also be reduced from HK$10,690 million to HK$9,006 million whereas the proportion out of the total debt would be reduced from 20% to 5%. The proportion of debt repayable between 1 and 5 years and debt repayable beyond 5 years out of the total debt would also increase from 36% and 44% to 43% and 52% respectively.

Note 2: RMB corporate bonds with a total value of RMB600 million will mature in May 2014 and the RMB term loan of RMB1 billion will be due in May 2015.

Interest Rate and Exchange Rate Exposure

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

Treasury Policies

The Group continues to adopt prudent and conservative treasury policies in its financial and funding management. Its liquidity and financial resources are reviewed on a regular basis, with a view to minimizing its funding costs and enhancing the return on its financial assets. Most of the Group's cash is placed in deposits denominated in RMB. Holding RMB suits the Group's PRC-based operations, and it can earn higher interest income from RMB deposits than HK Dollar deposits. The percentage of cash the Group held in RMB bank deposits was maintained at 99.9% as at 30 June 2012. It has therefore maintained the proportion of its RMB bank deposits to that of its HK Dollar deposits. Due to a rise in deposit interest rate in the PRC, the Group's treasury yield improved to 3.3%, compared to 2.1% during the previous financial year. The Group will continue to strengthen its treasury management and evaluate the options available for improving the yields on its substantial cash-deposit portfolio.

Capital Commitments

As at 30 June 2012, the Group had agreed, subject to the approval by the relevant authorities, to make additional capital contributions of approximately RMB402.5 million (2011: RMB402.5 million) to the West Route JV for the development of Phase II West. It currently plans, subject to the approval by the relevant authorities, to make these capital contributions during FY13.

As at 30 June 2012, the Group had no outstanding commitment to make capital contributions to the West Route JV for the development of Phase III West (2011: RMB484 million). During the year, the Group contributed a further RMB484 million of registered capital to the West Route JV, bringing its total share to RMB980 million.

As at 30 June 2012, the Group's proportionate share of the GS Superhighway JV and the West Route JV were 48% and 50% respectively. Their outstanding but unfulfilled commitments in relation to the acquisition of property and equipment and the construction of Phase III West amounted to approximately HK$511 million (2011: HK$1,099 million).

Pledge of Assets

As at 30 June 2012, the Group's JV companies pledged certain assets to banks in order to secure the banking facilities granted to them. The carrying amounts of these assets proportionately shared by the Group were as follows:

	As at 30 June 2011	As at 30 June **2012**
	HK$ million	**HK$ million**
Concession intangible assets	7,316	**7,316**
Property and equipment	188	**251**
Inventories	2	**2**
Other receivables and deposits	57	**68**
Bank balances and deposits	295	**344**
	7,858	**7,981**

In addition to the above, 100% of the toll collection rights of the GS Superhighway and Phase II West, and 53.4% of the toll collection rights of Phase I West were pledged to banks to secure the banking facilities granted to their respective JV companies.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Material Acquisition or Disposal

The Company's subsidiaries and associated companies did not make any material acquisitions or disposals during the year ended 30 June 2012.

Others

Employees and Remuneration Policies

The Group provides competitive remuneration packages that are determined with reference to the prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentive and to recognize their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Group's business performance. It provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 30 June 2012, the Group, excluding the joint venture companies, had 28 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family-friendly employment policies and practices. The Group has arranged stress management workshops and Employees Assistance Program for employees, which were delivered by professionals who shared their experiences and methods handling stress. The Group also invests in human capital development by providing relevant training programmes to enhance employee productivity. In collaboration with Independent Commission Against Corruption and Equal Opportunities Commission, the Group held different kinds of seminars and workshops for the employees to enhance their awareness towards corporate governance.

The Group's training programmes are designed and tailor-made to increase the knowledge of its employees and fill skill gaps identified during performance appraisals. Its overall training objectives are to enhance the personal productivity of its employees and to identify their individual interests in order to prepare their future roles and enable them to make greater contributions to the success of the Group's businesses. Besides formal training programmes, the Group also provides comprehensive and relevant training and self-learning opportunities to employees such as on-the-job training and educational sponsorships. During the period, the Group organized a number of seminars on subjects like counseling and crisis management, MPF investment management, cross-border insurance arrangement, by external consultants or service providers to enhance employees' general knowledge in the topics concerned.


HHI
HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED
Corporate Social
Responsibility Report

Introduction

This is our first Corporate Social Responsibility ("CSR") Report, demonstrating our commitment to transparency and accountability to stakeholders. Since 2009, we have made disclosure of our CSR activities in our annual reports. In order to provide more in-depth coverage of our sustainability initiatives and performance, we have decided to publish an annual CSR Report starting in 2012.

We focus on the initiation, promotion, development, investment and operation of expressway projects in the thriving economy of the PRD region. Our expressway projects include the 122.8 km GS Superhighway and the 98.2 km Western Delta Route, which is being developed in 3 phases. Over the past decade, our high-quality and well-connected expressways have contributed to urbanization and boost the economic growth of nearby cities. The GS Superhighway is the main artery in the expressway network of the eastern bank of the PRD. Upon completion of all 3 phases of Western Delta Route, Guangzhou, Foshan, Zhongshan, Zhuhai on the western bank of the PRD will be directly linked and it will directly connect to Macau and Hong Kong-Zhuhai-Macau Bridge. The regional transportation efficiency will be greatly enhanced.

Our early efforts in sustainable development can be traced back to the design and construction stages of our first expressway project in early 90s, the GS Superhighway. From the outset, we anticipated the growing demand for operational efficiency; we thus built and managed the superhighway accordingly:

Durability

The thickness of the road surface is 110 cm, compared to the standard of 70 to 80 cm for expressways in the PRC. This increases road durability and helps avoid congestion resulting from frequent maintenance works.

Efficiency

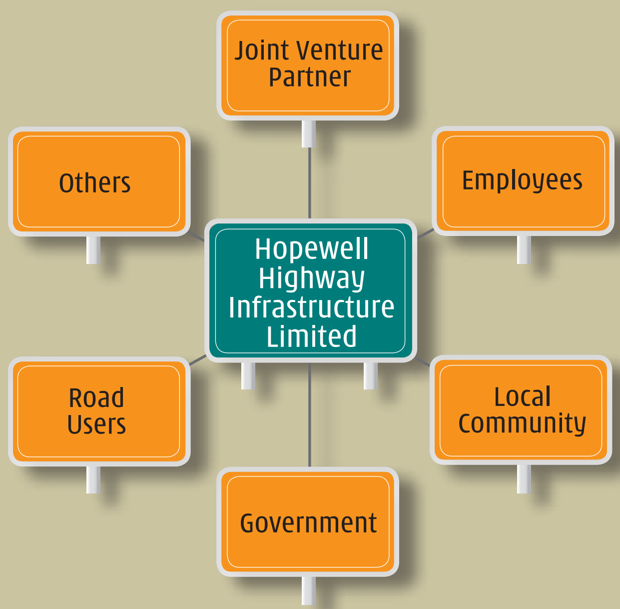
The expressway design comes with 6 lanes rather than 4 lanes in both directions to ensure smooth traffic and cater for the anticipated growing traffic demand.

Responsibility

At the planning stage, we worked with the governments and local communities to address the needs of people living in close proximity to the expressway, including the addition of interchanges. Thus, it has facilitated the socio-economic growth along the expressway corridor.

With our expressways passing through the most populous and affluent cities in the PRD region, we have an indivisible relationship with the local communities and all of our stakeholders in the wide geographical coverage of our expressways. We strongly believe that sustainable operations and development are just as important as achieving long-term business growth. This has driven our commitment to corporate social responsibility, which is one of our strategic focuses. Over the past few years, we have already made significant efforts to engage key stakeholders in order to prioritize and respond to relevant issues. We have also made progress in promoting traffic safety to the public, actions to support environmental protection and cooperation with the local community.

Our Stakeholders:



Sustained Effort in Promoting Traffic Safety

Ensuring traffic safety on our expressways is always our top priority. The Company and its JV companies deployed ample resources in enhancing traffic safety on our expressways.

The GS Superhighway is one of the busiest expressways in China. The total quantity of surveillance cameras installed along the GS Superhighway increased from 34 at its opening in 1997 to 167 at present, thus ensuring that traffic conditions at every road section, especially the busier sections, are covered and monitored by the enhanced surveillance system. The well-trained patrol and rescue team has also been expanded from a few dozens to over 200 professionals in the past few years. Furthermore, the entire GS Superhighway is covered by high-quality and efficient rescue and towing services. The professional patrol team, together with the enhanced surveillance system, enables the GS Superhighway JV to closely monitor the road condition and discover accidents in the shortest time and provide assistance to those involved or quickly handle accidents. An amount of around RMB9 million was invested in the purchase of new patrol and towing vehicles in FY12 to support such services. In addition, messages on road safety and traffic conditions are displayed on changeable message signboards installed along the expressway, which increased from 12 location in 1997 to a total of 75 at present, to keep road users informed about the traffic conditions ahead and draw their attention to road safety.

In the past few years, we organized various campaigns and activities to educate the public on traffic safety and invited the local police to be involved in our campaigns. Early in July 2008, together with the GS Superhighway JV, we co-organized a large-scale traffic safety education campaign with the Traffic Management Department of Guangdong Provincial Public Security Bureau ("TMD"). A total of 110,000 copies of the Chinese literature "Analects of Confucius", which combines lessons of Confucius and road safety tips, were distributed to drivers and the public free of charge.

The GS Superhighway JV also collaborates closely with the traffic police to adopt effective measures to handle traffic accidents efficiently and combat offending driving that pose risks to road safety.

One of these measures includes the installation of "Electronic Police", i.e. the CCTVs installed along the expressway main route capturing offending vehicles. In January 2012, the GS Superhighway JV collaborated with the Guangdong Provincial Communications and Transportation Bureau ("GDCTB") and the TMD in a joint public campaign aiming at enhancing traffic safety, traffic management and service standards. Through the campaign, the GS Superhighway JV cooperated closely with the TMD to reduce the number and increase the handling efficiency of traffic accidents. During the period of the campaign from January to May 2012, the number of traffic accidents along the GS Superhighway recorded a substantial drop and reduced the average time for handling of accidents. Thus a smoother flow of traffic can be maintained. These achievements and the enhancement in the overall service standard have been well recognized by the abovementioned official bodies and the public. GS Superhighway became only and the first expressway in Guangdong awarded the title of "Model Highway of Civilized Traffic Management" ("文明交通示範公路"), and has taken up the exemplary role in promoting traffic safety and enhancing the management and service standards among the expressway industry in Guangdong. The Group will continue to make every effort to ensure the safety and comfort of road users, which has always been our top priority.

The busier Taiping-Wudianmei and Fuyong-Hezhou sections of the GS Superhighway have been widened to maintain smooth traffic all along the expressway. Since the completion of the above expansion works, there has been a substantial decline in the number of traffic accidents along the two sections, and a smoother flow of traffic can be maintained along the GS Superhighway. This does not only help to prevent traffic congestion and in turn reduce carbon emissions, it also enhances the efficiency of the regional road network.

Quality Management

The GS Superhighway joined the Asia Network for Quality ("ANQ") Congress 2012 themed "Striving for Excellence through Product and Service Quality" organized by the ANQ from 31 July 2012 to 3 August 2012. The Congress attracted numerous delegates and quality professionals from different countries in the Asian region to showcase their philosophies and best practices in quality enhancement during operations. 2 papers submitted by the GS Superhighway JV, namely "Improving 15-Minute Arrival Rate for Highway Administration and Rescue Personnel ("提高路政、拯救人員15分鐘到場率") and "Reducing the Lost Rate of Password Card between Two Non-Networking Sites on the GS Superhighway" ("降低廣深高速公路非聯網站點間通行卡流失率"), respectively won the Best Paper Award and the Outstanding Poster Award in the Congress, indicating that the GS Superhighway JV's corporate image of outstanding quality management and the pursuant of excellence was well recognized by external independent professional bodies.

Energy Reduction Initiatives

With the impact on climate change in mind and in response to the policy direction to save energy consumption and reduce emissions, both JV companies have been actively promoting low-carbon operating concepts and have adopted various methods to reduce their energy consumption.

Following the energy audit conducted for GS Superhighway in 2009, both JV companies have adopted and implemented different energy-reduction initiatives.

As lighting is the main source of energy consumption in operations, both JV companies have installed energy-efficient lighting systems to promote low-carbon operations. For instance, all T8 fluorescent tubes at the management centre and staff living areas of the GS Superhighway have been replaced with more energy-efficient T5 tubes since 2010, with around 30% of electricity saved. Energy-saving lights including LED lights have also been installed at all toll plazas of the GS Superhighway, which can save approximately 70% of electricity consumed. The installation of LED lights will be further promoted along the entire main route of the GS Superhighway in 2012. At present, the design and tendering for installing LED lights have been completed, and LED lights have been installed at a 10-kilometre test section before installation along the whole alignment. Moreover, GS Superhighway JV planned to redesign all high masked lights along the main alignment and replace them with energy-saving sodium lights in FY13. For the Western Delta Route, LED lights and energy-saving sodium lights are going to be installed at the tunnel sections and toll plazas of Phase III West to reduce consumption of energy.

In 2011, the first petrol-electric hybrid vehicle was introduced into the car fleet of the GS Superhighway JV. This represents the JV's first-step progress in adopting the use of more fuel-efficient vehicles that result in cleaner air and reduced energy consumption. The JV also actively studies the feasibility of installing charging facilities for electric vehicles. Two test charging points have already been installed along the GS Superhighway for internal use. In Hong Kong, our staff are encouraged to use electric vehicles during local and cross-border business trips to promote green driving.

Environmental Performance Table

Indicator[1]	Unit	2010/11	2011/12
Energy use			
Purchased electricity (non-renewable)	MWh	32,615	32,460
	GJ	117,414	116,856
Renewable energy[2]	MWh	13.49	13.49
	GJ	48.56	48.56
Diesel	Litres	398,544	394,339
	GJ	14,292	14,141
Petrol	Litres	746,588	724,188
	GJ	24,025	23,304
CO_2e emissions[3]			
Direct CO_2e emissions	Tonnes	3,127	3,054
Electricity indirect CO_2 emissions	Tonnes	31,839	31,687
Water			
Fresh water used	m^3	570,088	591,970
Materials used[4]			
Cement	Tonnes	1,116,799	676,745
Steel	Tonnes	46,188	90,439
Steel strand	Tonnes	1,268	7,261
Bitumen	m^3	14,223	33,240

(1) The table includes data for the GS Superhighway and Phases I, II and III of the Western Delta Route unless otherwise specified.
(2) Estimated data based on the energy consumption of 22 surveillance cameras powered by micro wind and solar power on the Western Delta Route.
(3) Calculation based on the purchased electricity figures applying the default Mainland China Southern Grid emission factor of 976.2 gCO_2/KWh.
(4) Include the consumption of materials for major repair and maintenance works in GS Superhighway and construction work in Phase II and Phase III of the Western Delta Route.

Caring for Users and the Community

The JV companies have been making great efforts to enhance their service standards. Firstly, operational efficiency has been raised via the installation of automated equipment. ETC lanes are installed at nearly all of the entrances and exits of the Group's expressways, which reduce the average length of time vehicles spend there. As of 30 June 2012, the GS Superhighway had 68 ETC lanes on it, the highest number of ETC lanes on any expressways in Guangdong Province. Moreover, automatic card-issuing machines are in operation at most of the entrances of the GS Superhighway and the Western Delta Route, which further raises operational efficiency. The GS Superhighway JV has also expanded the toll plazas at Fuyong and Huocun in 2011 to enhance the traffic capacity and standards of toll station management to provide quality services for road users.

To provide road users with a more comfortable driving environment, the interchanges and main alignment of the Group's expressways are fully covered by greenery. During the year under review, additional greenery works were done along the main alignment of the Guangzhou and Dongguan sections of the GS Superhighway. This will not only improve the air quality along the expressways, but it also creates a more scenic route. Besides, the GS Superhighway JV regularly inspects the conditions of the vacant spaces underneath the bridges of the expressway and cleans up any unallowed wastes disposed there with a focus on those spots affecting the nearby households in order to improve the environment of the local community. The drainage system at Xinqiao interchange was also upgraded to prevent flooding caused by the development of the neighboring local counties.

In addition to the investment in equipment and facilities, maintaining customer satisfaction and good customer relations are also the Group's key focuses. A yearly large-scale company campaign (named "文明服務月" in Chinese) has been held at the GS Superhighway JV and the West Route JV to enhance the service standard and staff morale. Staff are trained and encouraged to proactively approach our customers to understand more about their needs and comments towards our services. Moreover, assistance will be provided to road users such as responding to road queries and provision of simple repair tools. Regular training is provided for all toll collectors to equip them with the etiquette and skills required to deliver professional services. Internal contests are also held to promote the corporate culture and spirit in pursuing excellence. Both JV companies are well recognized and have received positive feedbacks from the customers and public.

Volunteer teams have been established at both JV companies, and they closely collaborate with local voluntary service associations to organize a wide range of community services. These include visiting people in need, such as disabled children and the elderly, and serving in large-scale social events like the Shenzhen Universiade held in August 2011. In 2011, several thousand man hours have been devoted to various community services, with participation from over 350 staff. We focus on communities in close proximity to our expressways as we believe that this will contribute to their socio-economic growth. We will continue to work together with our communities for a sustainable future.

Highlight for a Sustainable Future

To further enhance our communications with stakeholders in all aspects, an official website for the GS Superhighway JV will be established in FY13 to provide the most up-to-date information about the traffic conditions along the expressway, especially when abnormal occasions occur. The website will provide advance notices on the major repair and maintenance plans of the expressway, as well as features to support better trip planning for road users. These features aim to strengthen our communication with the local community and promote our corporate culture and values

A close relationship and effective communication with our stakeholders are crucial for the long-term sustainable development of our business. Thus we will take their interests and opinions into consideration while formulating future development plans. This year, in order to further understand the needs and feedbacks of various stakeholders, an independent CSR consultant is appointed to conduct interviews with our JV partner, road users and employees. This also allows us to better identify the issues to be disclosed in the this/upcoming CSR report(s) and shape our future CSR strategies.

Sustainable development is one of the Group's key strategic focuses. In order to further raise the awareness of sustainability and corporate social responsibility among our stakeholders, the GS Superhighway JV is working to introduce national or international CSR standards as guidelines for formulating its own sustainability initiatives in the future. We believe that the values of sustainability and CSR will gradually permeate all levels of our management and staff. Moving forward, we will continue to identify opportunities to promote CSR and will endeavour to work together with all stakeholders for sustainable business and community development.


HHI
Hopewell Highway Infrastructure Limited
Corporate Social Responsibility Report
http://www.hopewellhighway.com/CSR

Corporate Governance Report

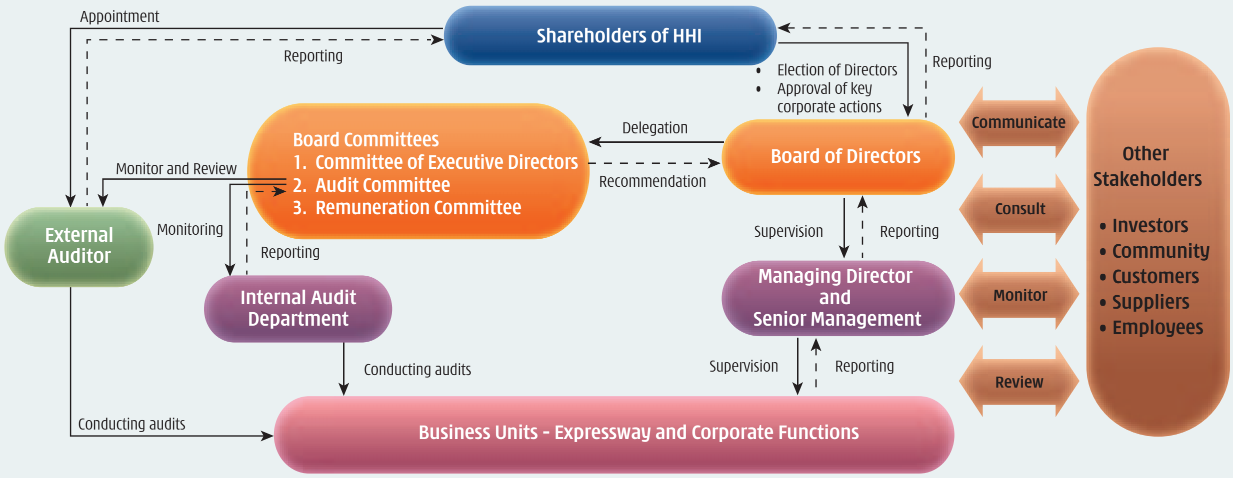
Corporate Governance Practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board 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 to the Listing Rules. In October 2011, the Stock Exchange published its consultation conclusions on the review of the CG Code (renamed as the Corporate Governance Code (the "Revised CG Code")) and associated Listing Rules (the "Revised Listing Rules") setting out the amendments that are to be made in 2012. The Board has reviewed the Revised CG Code and the Revised Listing Rules and their impact to the Company and taken measures to comply with the Revised CG Code and the Revised Listing Rules.

Throughout the year ended 30 June 2012, the Company has complied with all code provisions as set out in the CG Code and the Revised CG Code, except for the deviation from code provision A.5.1 of the Revised CG Code which requires the establishment of a nomination committee, with explanation described below.

The Company does not consider it necessary to have a nomination committee as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole 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(s) will normally be made by the Chairman and/or the 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).

Corporate Governance Structure



Board Of Directors

The Board

The Company is managed through the Board which currently comprises six Executive Directors (including the Chairman) and five Independent Non-Executive Directors. The names and biographical details of the Directors of the Company, and the relationship amongst them, if any, are set out on pages 16 to 23 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.

Independent Non-Executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgment. 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.

Chairman and Managing Director

Sir Gordon WU served as the 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 (a son of Sir Gordon WU), the 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 set out clearly in writing.

Appointment, Re-election and Removal

All Independent Non-Executive Directors are appointed for a specific term of three years (except for Mr. Philip Tsung Cheng FEI whose term of appointment is up to the conclusion of the 2012 Annual General Meeting, that is, less than three years, as he decided not to seek re-election at the 2012 Annual General Meeting) and are subject to retirement from office and re-election at least once every three years.

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/her (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 Company's Articles of Association.

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 established a Committee of Executive Directors since 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 also established the Audit Committee and the Remuneration Committee to deal with the specific matters as set out below in the interest of all shareholders in an objective manner. Save that one member of the Remuneration Committee is an Executive Director, members of these two committees currently comprise Independent Non-Executive Directors.

Audit Committee

The Audit Committee comprises four Independent Non-Executive Directors, namely Mr. Philip Tsung Cheng FEI (Chairman), Mr. Kojiro NAKAHARA, Mr. Yuk Keung IP and Mr. Brian David Man Bun LI. The Company Secretary of the Company serves as the secretary of the Audit Committee and minutes of the meetings are sent to the members of the Audit Committee within a reasonable time after the meetings.

At least one of the members of the Audit Committee has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirement of the Revised CG Code. In February 2012, the Board adopted a revised terms of reference of the Audit Committee which include the amendments in line with the requirements of the Revised CG Code. Under its revised terms of reference, the Audit Committee has been delegated the corporate governance functions of the Board to monitor, procure and manage corporate compliance within the Group.

Major responsibilities and functions of the Audit Committee are:

- consider the appointment, re-appointment and removal of the external auditor
- approve the remuneration and terms of engagement of the external auditor
- monitor the external auditor's independence and objectivity
- review and supervise the Group's financial controls, internal control and risk management systems
- review and monitor the interim and annual financial statements before submission to the Board
- develop and review the Company's policy and practices on corporate governance and make recommendations to the Board
- review and monitor the training and continuous professional development of Directors and senior management

- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements
- develop, review and monitor the code of conduct applicable to employees and Directors
- review the Company's compliance with the CG Code, the Revised CG Code and disclosures in the Corporate Governance Report
- review arrangements for concerns about possible improprieties in financial reporting, internal control or other matters

Works performed during the year included:

- considered and approved the terms of engagement of the external auditor and their remuneration
- reviewed the annual financial statements for the year ended 30 June 2011 and the interim financial statements for the six months ended 31 December 2011
- reviewed the work performed by Internal Audit Department and the Group's internal control system
- reviewed the Company's policies and practices on corporate governance

The revised terms of reference setting out the Audit Committee's authority and its duties and responsibilities are available on the HHI Website and on the HKEx Website.

Remuneration Committee

The Remuneration Committee comprises two Independent Non-Executive Directors namely, Professor Chung Kwong POON (Chairman), Mr. Yuk Keung IP and one Executive Director, Mr. Alan Chi Hung CHAN. The head of Group Human Resources Department of the Company serves as the secretary of the Remuneration Committee and minutes of the meetings are sent to the members of the Remuneration Committee within a reasonable time after the meetings.

In February 2012, the Board adopted a revised terms of reference of the Remuneration Committee which include the amendments in line with the requirements of the Revised CG Code. The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Major responsibilities and functions of the Remuneration Committee are:

- make recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration; and the establishment of a formal and transparent procedure for developing remuneration policy
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives
- make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management
- make recommendations to the Board on the remuneration of Independent Non-Executive Directors

Works performed during the year included:

- reviewed and approved the remuneration of all Executive Directors of the Company for the year of 2012 and bonus payment for the year of 2011
- reviewed the level of Directors' fees and made recommendations on the Directors' fees for the year ended 30 June 2012

The revised terms of reference setting out the Remuneration Committee's authority and its duties and responsibilities are available on the HHI Website and on the HKEx Website.

Attendance at Meetings

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings and the 2011 Annual General Meeting are as follows:

	Number of meetings attended/held			
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	2011 Annual General Meeting
Number of meetings held	4	2	1	1
Executive Directors				
Sir Gordon WU GBS, KCMG, FICE	4 out of 4	N/A	N/A	1 out of 1
Mr. Eddie Ping Chang HO	4 out of 4	N/A	N/A	1 out of 1
Mr. Thomas Jefferson WU	4 out of 4	N/A	N/A	1 out of 1
Mr. Alan Chi Hung CHAN	4 out of 4	N/A	1 out of 1	1 out of 1
Mr. Cheng Hui JIA	4 out of 4	N/A	N/A	1 out of 1
Mr. Alan Ming Fai TAM	4 out of 4	N/A	N/A	1 out of 1
Independent Non-Executive Directors				
Mr. Philip Tsung Cheng FEI	4 out of 4	2 out of 2	N/A	0 out of 1
Mr. Kojiro NAKAHARA	4 out of 4	2 out of 2	N/A	1 out of 1
Dr. Gordon YEN (resigned as Director and member of each of the Audit Committee and the Remuneration Committee on 12 May 2012)	4 out of 4	2 out of 2	1 out of 1	1 out of 1
Professor Chung Kwong POON	4 out of 4	N/A	1 out of 1	1 out of 1
Mr. Yuk Keung IP (appointed as a Remuneration Committee Member on 12 May 2012)	4 out of 4	2 out of 2	N/A	1 out of 1
Mr. Brian David Man Bun LI	4 out of 4	2 out of 2	N/A	0 out of 1

During the year under review, the Chairman of the Board held a meeting with the Independent Non-Executive Directors without the presence of the Executive Directors.

Induction Programme and Training for Board Members

A comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company is given to newly appointed Board Members by the management of the Company. A Guide on Directors' Duties published by the Companies Registry of Hong Kong and/or a Guide for Independent Non-Executive Directors published by The Hong Kong Institute of Directors have been sent (in case of Independent Non-Executive Director(s)) to each Director for his/her information and ready reference.

During the year under review, Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. Directors' touring to the Group's operations in the PRC with briefings by senior PRC staff was arranged for the Board members to enable them to gain a better understanding on the businesses of the Group in the Pearl River Delta region. Respective seminars provided by DTT, the Company's auditor, and Independent Commission Against Corruption on the topics relating to the roles, functions and duties of the Directors were organized so as to update and develop the Board members' expertise.

Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their records of training they received to the Company Secretary for record.

Company Secretary

The Company Secretary, Mr. Richard Cho Wa LAW, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Managing Director, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During the year under review, Mr. LAW has attended relevant professional seminars to update his skills and knowledge. He will comply with the Revised Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

Accountability and Audit

Financial Reporting

The Directors recognize the responsibility for preparing the consolidated 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.

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group's updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under the relevant requirements of the Listing Rules.

External Auditor and their Remuneration

The Company's external auditor is DTT. The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 85 and 86 of this Annual Report. 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 and remuneration. Apart from the statutory audit of the Group's consolidated financial statements, DTT was also engaged to perform a review on the interim financial information of the Company for the six months ended 31 December 2011.

Further, pursuant to Rule 14A.38 of the Listing Rules, the Board engaged DTT to perform certain agreed upon procedures in respect of the continuing connected transactions as set out under the section headed "Continuing Connected Transactions" in the Report of the Directors.

During the year ended 30 June 2012, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	HK$'000
Audit services	1,602
Non-audit services:	
Interim review	363
Others	50
Total	2,015

Internal Controls

The Board is of the opinion that a sound internal control system will help achieving the Group's business objectives, safeguarding the Group's assets, contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

The Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

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. During the processes, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. These plans and budgets are then reviewed quarterly against actual performance for validity and adjustments. Various guidelines and procedures have been established for the approval and control of operating expenses, capital expenditures, project investments, unbudgeted items and acquisitions.

The Executive Directors review monthly management reports and hold periodical meetings with the senior operational and finance management to discuss business performance, budget variances, forecasts, market outlooks, and to address any accounting and finance related matters.

The Board acknowledges its responsibility 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 for principal operations. Significant findings and risk concerns are reported to the Audit Committee at least twice every year.

For the year under review, the Board has through the Audit Committee reviewed the effectiveness of the Group's internal control system. To further enhance control awareness, the Group has also approved launching a Whistleblowing Policy for employees to raise any concerns about organizational mal-practices without fear of reprisal in August 2012.

Business Ethics

The Company considers ethical corporate culture and employees' honesty and integrity to be important assets and endeavours to comply with the laws and regulations of the countries in which we operate, all Directors and employees are required to act responsibly to ensure that the reputation of the Company is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, the Company adopts a Code of Conduct which provides employees with a set of defined ethical standards for adherence. The Code of Conduct is posted on the Company's intranet for observance by all staff. The heads of Business Units are charged with the responsibility of disseminating the Code of Conduct requirements to the employees concerned.

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 some fixed elements: basic salary, mandatory provident fund contribution and other benefits including medical cover, as well as discretionary bonus, share options and/or share awards which are performance related elements. No Director is allowed to approve his/her 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 20 October 2011.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Directors and an employees' share dealing rules ("Share Dealing Rules") on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of unpublished price sensitive information. Having made specific enquiry with Directors and the relevant employees, all of them have confirmed that they have fully complied with the Model Code and the Share Dealing Rules respectively throughout the year.

Communication with Shareholders

The Company recognizes the importance of communications with the shareholders of the Company, both individual and institutional as well as potential investors. In February 2012, the Board adopted a Shareholders Communication Policy of the Company which aims to set out the provisions with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders of the Company to exercise their rights in an informed manner, and to allow shareholders of the Company and potential investors to engage actively with the Company. The Shareholders Communication Policy of the Company is posted on the HHI Website.

Disclosure of information on Company's Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and as timely as possible. The Company maintains a corporate website at http://www.hopewellhighway.com where important and updated information about the Group's activities and corporate matters such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders. When announcements are made through the Stock Exchange, the same information is made available on the HHI Website.

The Company discloses in a timely manner the traffic statistics and toll revenue of the GS Superhighway, Phase I West and Phase II West on monthly basis on the HHI Website.

Annual General Meeting

The Company's annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for all the Directors (including the Chairman) and the chairmen of the Audit Committee and the Remuneration Committee together with and the external auditor of the Company to attend the annual general meetings to answer shareholders' questions. The 2011 Annual General Meeting was held at Auditorium, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on 20 October 2011. The 2012 Annual General Meeting has been scheduled to be held on 18 October 2012.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the respective websites of the Company and the Stock Exchange on the same day of the poll.

Investor Relations

The Company is committed to maintaining an effective communication channel for the shareholders and investors. A proactive dialogue between the Company and the investment community helps promote greater transparency and allows better understanding of the Company's strategies, business developments, growth opportunities and prospects.

During the year under review, the Company strived to improve transparency and communications with shareholders and investors. Meetings and conference calls with investors and analysts were held, in order for the Company to understand their views and to keep them abreast on the latest developments. Inquiries on the Company were also dealt with in an informative and timely manner. At the same time, the Company reached out to the investment community by participating in investment conferences and road shows.

As a channel to promote transparency and to furnish timely corporate information, the Company maintains a corporate website, i.e. the HHI Website. The website provides investors and the public with access to information including Company announcements, press releases, interim and annual reports, investor presentation slides and information on different businesses.

Continuing to enhance the communication platform for the investment community is paramount in upholding high transparency and building investors' confidence in the Company. In order to maintain high standards of corporate governance, the Company will keep a proactive dialogue with the shareholders and investors and continue to disseminate corporate information in a clear and timely way. Feedbacks and suggestions can be addressed to the Company at ir@hopewellhighway.com.

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Paragraph O of the Revised CG Code which is effective from 1 April 2012.

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Article 68 of the Company's Articles of Association, (a) any two or more shareholders of the Company holding at the date of deposit of the written requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at the general meeting of the Company or (b) any one shareholder of the Company which is a clearing house (or its nominee) holding at the date of deposit of the written requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, may require the Board to convene an extraordinary general meeting ("EGM"). The written requisition must specify the objects of the meeting, and be signed by the shareholder(s) concerned and deposited at the principal place of business of the Company in Hong Kong at Room 63-02, 63rd Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for the attention of the Company Secretary.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM, the shareholder(s) concerned or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from such date.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Board.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department whose contact details are as follows:

Senior Investor Relations Manager
Hopewell Highway Infrastructure Limited
Room 63-02, 63rd Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Email: ir@hopewellhighway.com
Tel No.: (852) 2528 4975
Fax No.: (852) 2529 8602

Company Secretarial Department, Corporate Communications Department and Investor Relations Department of the Company handle both telephone and written enquiries from shareholders of the Company from time to time.

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 68 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above.

Pursuant to Article 116 of the Company's Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless (a) he/she is recommended by the Board for election; or (b) a shareholder of the Company shall have given notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as Director is posted on the HHI website.

Report of the Directors

The Directors have pleasure in presenting their report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30 June 2012.

Principal Activities

The principal activities of the Group are 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 2012 are set out in the Consolidated Statement of Comprehensive Income on page 87.

Dividends

The Directors recommend the payment of a final dividend of HK16 cents (2011: HK18 cents) per share in respect of the year ended 30 June 2012.

Together with the interim dividend of HK18 cents (2011: HK16 cents) per share paid on 15 March 2012, total dividends for the year will be HK34 cents (2011: HK34 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 "Business Review" as set out on pages 26 to 44.

Share Capital

Movements in 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 on page 91 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 14 to the consolidated financial statements.

Major Customers and Suppliers

There are no major customers and suppliers in view of the nature of the Group's business.

Directors and Senior Management

The Directors and their profiles as at the date of this report are set out on pages 16 to 23.

Changes during the year and up to the date of this report are as follows:

Dr. Gordon YEN	(resigned as an Independent Non-Executive Director, a member of each of the Audit Committee and Remuneration Committee on 12 May 2012)
Mr. Yuk Keung IP	(appointed as a member of Remuneration Committee on 12 May 2012)

In accordance with the Company's Articles of Association, 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 last election/re-election and shall be eligible for re-election subject to the provisions of the Company's Articles of Association. Mr. Alan Ming Fai TAM, Mr. Philip Tsung Cheng FEI and Professor Chung Kwong POON shall retire from office at the 2012 Annual General Meeting. Save for Mr. Philip Tsung Cheng FEI who did not offer himself for re-election, the remaining Directors, being eligible, offered themselves for re-election.

The 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.

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 2012, 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 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 pursuant to the Model Code were as follows:

(A) the Company[(i)]

	Shares					
Directors	Personal Interests (held as beneficial owner)	Family interest (interests of spouse or child under 18)	Corporate interests[(ii)] (interests of controlled corporation)	Other interests	Total interests	% of issued share capital
Sir Gordon WU	13,717,724	5,244,000	21,249,999	6,136,000[(iii)]	46,347,723	1.56%
Eddie Ping Chang HO	4,751,000	275,000	14,000	-	5,040,000	0.17%
Thomas Jefferson WU	16,000,000	-	-	-	16,000,000	0.54%
Alan Chi Hung CHAN	478,500	-	-	-	478,500	0.02%
Cheng Hui JIA	324,100	-	-	-	324,100	0.01%
Alan Ming Fai TAM	120,000	-	-	-	120,000	0.00%
Kojiro NAKAHARA	2,134	-	-	-	2,134	0.00%

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 companies in which the relevant Directors were 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 6,136,000 shares represented the interests held by Sir Gordon WU jointly with his wife Lady WU.

(B) Associated Corporation - HHL

	HHL Shares					
Directors	Personal Interests (held as beneficial owner)	Family interest (interests of spouse or child under 18)	Corporate interests[i] (interests of controlled corporation)	Other interests	Total interests	% of issued share capital
Sir Gordon WU	74,683,240	25,420,000	111,650,000	30,680,000[ii]	242,433,240	27.81%
Eddie Ping Chang HO	27,008,000	1,366,000	70,000	-	28,444,000	3.26%
Thomas Jefferson WU	27,600,000	-	-	-	27,600,000	3.17%
Alan Chi Hung CHAN	585,000	-	-	-	585,000	0.07%
Cheng Hui JIA	241,000	-	-	-	241,000	0.03%
Kojiro NAKAHARA	10,671	-	-	-	10,671	0.00%

Notes:

(i) The corporate interests of HHL Shares were beneficially owned by companies in which the relevant Directors were 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 WU.

All the above interests in the shares of associated corporation were long positions.

Save as aforesaid, as at 30 June 2012, 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.

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 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 278,208,000 shares (representing 9.39% 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 at its absolute discretion and shall expire not later than 10 years after the date of grant. Unless otherwise determined by the Board 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 may in its absolute discretion determine and notify 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 (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 2012 were as follows:

			Number of share options						
	Date of grant	Exercise price per share (HK$)	Outstanding at 01/07/2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/06/2012	Exercise period	Closing price before date of grant falling within the year (HK$)
Employees	17/10/2006	5.858	4,368,000	-	-	(288,000)	4,080,000	01/12/2007 - 30/11/2013	N/A
Employees	19/11/2007	6.746	360,000	-	-	-	360,000	01/12/2008 - 30/11/2014	N/A
Employees	24/07/2008	5.800	400,000	-	-	-	400,000	01/08/2009 - 31/07/2015	N/A
Total			5,128,000	-	-	(288,000)	4,840,000		

No options were cancelled during the year.

The options granted on 17 October 2006, 19 November 2007 and 24 July 2008 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
Granted on 24 July 2008	
20% of options granted	01/08/2009 - 31/07/2010
40%* of options granted	01/08/2010 - 31/07/2011
60%* of options granted	01/08/2011 - 31/07/2012
80%* of options granted	01/08/2012 - 31/07/2013
100%* of options granted	01/08/2013 - 31/07/2015

* *including those not previously exercised*

Share Awards

(A) 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 to 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 Award 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 Award 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) There were no awarded shares granted or outstanding during the year ended 30 June 2012 and accordingly no dividend income was received in respect of shares hold upon the trust for the Award Scheme (2011: Nil) during the year under review.

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 2012 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 Executive Directors are determined by the Board based on the recommendation of the Remuneration Committee 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.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of Laws of Hong Kong), the Group has set up the MPF Schemes. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK$25,000 with effect from 1 June 2012, previously capped at HK$20,000. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. During the year, the Group made contributions to the MPF Schemes amounted to HK$599,000 (2011: HK$529,000).

Service Contracts of Directors

No directors proposed for re-election at the 2012 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 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 2012, 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	2,098,850,098[(i)]	70.87%
Delta Roads Limited	Interests of controlled corporation	2,098,850,098[(i)]	70.87%
Dover Hills Investments Limited	Interests of controlled corporation	2,098,850,098[(i)]	70.87%
Supreme Choice Investments Limited	Interests of controlled corporation	2,098,850,098[(i)]	70.87%
Hopewell Holdings Limited	Interests of controlled corporation	2,098,850,098[(i)]	70.87%

Note:

(i) The 2,098,850,098 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 HHL. The interests of Anber, Delta, Dover, Supreme and HHL in the 2,098,850,098 shares were long positions, represented the same block of shares and were deemed under the SFO to have same interests with each other. Sir Gordon WU, Mr. Eddie Ping Chang HO and Mr. Thomas Jefferson WU, Directors of the Company, are also directors of Anber, Delta, Dover, Supreme and HHL.

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 2012.

Purchase, Sale or Redemption of Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the securities of the Company during the year ended 30 June 2012.

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.

Continuing Connected Transaction - Management Agreement of Phase III West with Nan Yue

On 24 May 2010, West Route JV entered into a management agreement with Nan Yue, a company incorporated in the PRC and its H shares are listed on the Stock Exchange, in relation to the management of the material supply for Phase III West ("Phase III Management Agreement").

Pursuant to the Phase III 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 Phase III West ("Phase III 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 Phase III 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 Phase III West). The service fee is 2.5% of the fee for the materials supplied for Phase III West and shall be paid on a quarterly basis after deduction of the 5% assurance fee; such assurance fee shall be repayable without interest to Nan Yue upon completion of the term of the Phase III 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 Phase III West ("Phase III Construction Contractors"). The material fee shall be payable by the Phase III Construction Contractors to Nan Yue. 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 Phase III West.

Relevant details of the Phase III Management Agreement were disclosed in the announcement dated 24 May 2010 jointly made by the Company and HHL.

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 co-operative joint venture enterprise jointly controlled by the Group and West Route PRC Partner, is deemed to be a subsidiary of the Company 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).

West Route PRC Partner currently has a 50% interest in West Route JV and a 52% interest in GS Superhighway JV (which is a Sino-foreign co-operative joint venture between West Route PRC Partner and a subsidiary of the Company). West Route PRC Partner is a state-owned enterprise wholly owned by and under the administration of GPCG, which is in turn a state-owned enterprise established by the Guangdong Provincial Government.

Nan Yue is a subsidiary of GPCG and is accordingly deemed to be a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Phase III Management Agreement constitutes continuing connected transaction of the Company under the Listing Rules.

The service fee paid and payable to Nan Yue for the Phase III Material Logistics Services provided during the year ended 30 June 2012 under the Phase III Management Agreement was RMB12,389,000.

The Independent Non-executive Directors have reviewed and confirmed that the Phase III Material Logistics Services provided by Nan Yue for the financial year ended 30 June 2012 has been entered into in the ordinary and usual course of business of the Group; on normal commercial terms; and in accordance with the Phase III Management Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the continuing connected transactions of the Group and the Group's jointly controlled entities in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and the auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the aforementioned continuing connected transactions of the Group in accordance with Rule 14A.38 of the Listing Rules.

Save as disclosed above, related party transaction that did not constitute connected transaction or continuing connected transaction made during the year are disclosed in note 40 to the consolidated financial statements.

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.

Continuing disclosure under Rule 13.21 of the Listing Rules

As disclosed in the announcement made by the Company on 10 May 2012, pursuant to a facilities agreement dated 10 May 2012 (the "Facilities Agreement") entered into between the Company and Bank of China (Hong Kong) Limited (the "Bank"), a term loan facility in an aggregate amount of RMB1,000 million and a revolving credit facility in an aggregate amount of RMB600 million (together, the "Facilities") were made available by the Bank to the Company for tenor of 3 years from 10 May 2012.

Pursuant to the Facilities Agreement, it will be an event of default if the Company ceases at any time to be a subsidiary of HHL (the ultimate controlling shareholder of the Company) and in which event, among others, all amounts under the Facilities may be declared to be immediately due and payable.

Auditor

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the 2012 Annual General Meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 20 August 2012

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 87 to 140, which comprise the consolidated and Company's statements of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, in accordance with our agreed terms of engagement, 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 about 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 of the consolidated financial statements that give a true and fair view 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 Company and of the Group as at 30 June 2012, 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
20 August 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	NOTES	2011 HK$'000	2012 HK$'000
Toll revenue		2,274,571	**2,385,666**
Revenue on construction		1,536,527	**1,512,139**
Turnover	5	3,811,098	**3,897,805**
Other income and other expense	6	244,870	**246,975**
Construction costs		(1,536,527)	**(1,512,139)**
Provision for resurfacing charges		(21,166)	**(26,129)**
Toll expressway operation expenses		(244,155)	**(231,375)**
Depreciation and amortization charges		(434,810)	**(485,979)**
General and administrative expenses		(107,855)	**(122,811)**
Finance costs	7	(240,530)	**(273,265)**
Profit before tax		1,470,925	**1,493,082**
Income tax expenses	8	(433,631)	**(451,737)**
Profit for the year	9	1,037,294	**1,041,345**
Other comprehensive income			
Exchange gain arising on translation to presentation currency		413,485	**113,043**
Total comprehensive income for the year		1,450,779	**1,154,388**
Profit for the year attributable to:			
Owners of the Company		1,018,481	**1,023,218**
Non-controlling interests		18,813	**18,127**
		1,037,294	**1,041,345**
Total comprehensive income attributable to:			
Owners of the Company		1,431,966	**1,136,261**
Non-controlling interests		18,813	**18,127**
		1,450,779	**1,154,388**
		HK cents	**HK cents**
Earnings per share	12		
Basic and diluted		34.39	**34.55**

Consolidated Statement of Financial Position

As at 30 June 2012

	NOTES	2011 HK$'000	2012 HK$'000
ASSETS			
Non-current Assets			
Property and equipment	14	325,767	**379,404**
Concession intangible assets	15	14,337,184	**15,600,772**
Balance with a jointly controlled entity	19	232,440	**299,848**
Bank deposits	21	589,960	**-**
		15,485,351	**16,280,024**
Current Assets			
Inventories		2,360	**2,450**
Deposits and prepayments		14,214	**21,287**
Interest and other receivables	22	103,543	**116,913**
Balance with a jointly controlled entity *(note (i))*	19	304,367	**20,330**
Pledged bank balances and deposits of jointly controlled entities	21	294,836	**344,134**
Bank balances and cash	21		
- The Group		2,848,925	**4,582,018**
- Jointly controlled entities		68,564	**134,499**
		3,636,809	**5,221,631**
Total Assets		19,122,160	**21,501,655**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	23	296,169	**296,169**
Share premium and reserves		8,517,986	**8,588,095**
Equity attributable to owners of the Company		8,814,155	**8,884,264**
Non-controlling interests		60,386	**67,508**
Total Equity		8,874,541	**8,951,772**
Non-current Liabilities			
Bank loan of the Group	25	-	**1,220,000**
Bank and other loans of jointly controlled entities	25	5,888,041	**6,608,583**
Balance with a joint venture partner	26	232,381	**299,788**
Balance with a jointly controlled entity *(note (ii))*	31	-	**17,836**
Corporate bonds	27	2,383,920	**732,000**
Resurfacing obligations	28	52,518	**69,979**
Deferred tax liabilities	29	382,033	**399,870**
		8,938,893	**9,348,056**

Consolidated Statement of Financial Position

As at 30 June 2012

	NOTES	2011 HK$'000	2012 HK$'000
Current Liabilities			
Provision, other payables, accruals and deposits received	30	831,489	**927,572**
Balance with a joint venture partner	26	-	**12,200**
Balance with a jointly controlled entity *(note (ii))*	31	16,398	**-**
Bank loans	25		
- The Group		24,700	**70,800**
- Jointly controlled entities		292,095	**374,816**
Corporate bonds	27	-	**1,683,600**
Other interest payable		30,984	**34,449**
Tax liabilities		113,060	**98,390**
		1,308,726	**3,201,827**
Total Liabilities		10,247,619	**12,549,883**
Total Equity and Liabilities		19,122,160	**21,501,655**
Cash and Cash Equivalents represented by:			
Pledged bank balances and deposits of jointly controlled entities		265,940	**314,854**
Bank balances and cash			
- The Group		2,568,007	**3,984,218**
- Jointly controlled entities		68,564	**134,499**
		2,902,511	**4,433,571**

Notes:

(i) **Reconciliation of current portion of balance with a jointly controlled entity**

	2011 HK$'000	2012 HK$'000
Loans from the Group to a jointly controlled entity	608,734	**40,660**
Less: Elimination of the Group's proportionate share of the corresponding amount of a jointly controlled entity	(304,367)	**(20,330)**
	304,367	**20,330**

(ii) **Reconciliation of balance with a jointly controlled entity**

	2011 HK$'000	2012 HK$'000
Loans from a jointly controlled entity to another jointly controlled entity	409,962	**445,910**
Less: Elimination of the Group's proportionate share of the corresponding amounts of the jointly controlled entities	(393,564)	**(428,074)**
	16,398	**17,836**

Thomas Jefferson WU
Managing Director

Alan Chi Hung CHAN
Deputy Managing Director

Company's Statement of Financial Position

As at 30 June 2012

	NOTES	2011 HK$'000	2012 HK$'000
ASSETS			
Non-current Assets			
Investments in subsidiaries	16	2,559,028	**2,804,123**
Amount due from a subsidiary	18	1,164,969	**1,492,910**
		3,723,997	**4,297,033**
Current Assets			
Deposits and prepayments		7,427	**11,816**
Other receivables		14	**2,836**
Amounts due from subsidiaries	20	4,943,700	**3,912,741**
Bank balances and cash	21	61,764	**1,712,860**
		5,012,905	**5,640,253**
Total Assets		8,736,902	**9,937,286**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	23	296,169	**296,169**
Share premium and reserves	24	6,025,617	**5,957,627**
		6,321,786	**6,253,796**
Non-current Liabilities			
Bank loan	25	-	**1,220,000**
Corporate bonds	27	2,383,920	**732,000**
		2,383,920	**1,952,000**
Current Liabilities			
Other payables and accruals	30	6,345	**9,722**
Other interest payable		24,276	**25,322**
Corporate bonds	27	-	**1,683,600**
Amounts due to subsidiaries	20	575	**12,846**
		31,196	**1,731,490**
Total Liabilities		2,415,116	**3,683,490**
Total Equity and Liabilities		8,736,902	**9,937,286**

Thomas Jefferson WU
Managing Director

Alan Chi Hung CHAN
Deputy Managing Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Attributable to owners of the Company								
	Share capital HK$'000	*Share premium HK$'000*	*People's Republic of China ("PRC") statutory reserves HK$'000*	*Translation reserve HK$'000*	*Share option reserve HK$'000*	*Retained profits HK$'000*	*Total HK$'000*	*Non-controlling interests HK$'000*	*Total HK$'000*
As at 1 July 2010	296,169	4,942,924	110,708	298,136	4,636	2,647,578	8,300,151	51,847	8,351,998
Exchange gain arising on translation to presentation currency	-	-	-	413,485	-	-	413,485	-	413,485
Profit for the year	-	-	-	-	-	1,018,481	1,018,481	18,813	1,037,294
Total comprehensive income for the year	-	-	-	413,485	-	1,018,481	1,431,966	18,813	1,450,779
Recognition of equity-settled share-based payments	-	-	-	-	162	-	162	-	162
Dividends recognized as distribution during the year (note 11)	-	-	-	-	-	(918,124)	(918,124)	-	(918,124)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(10,274)	(10,274)
As at 30 June 2011	296,169	4,942,924	110,708	711,621	4,798	2,747,935	8,814,155	60,386	8,874,541
Exchange gain arising on translation to presentation currency	**-**	**-**	**-**	**113,043**	**-**	**-**	**113,043**	**-**	**113,043**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**1,023,218**	**1,023,218**	**18,127**	**1,041,345**
Total comprehensive income for the year	**-**	**-**	**-**	**113,043**	**-**	**1,023,218**	**1,136,261**	**18,127**	**1,154,388**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**56**	**-**	**56**	**-**	**56**
Forfeiture of vested share options	**-**	**-**	**-**	**-**	**(272)**	**272**	**-**	**-**	**-**
Dividends recognized as distribution during the year (note 11)	**-**	**-**	**-**	**-**	**-**	**(1,066,208)**	**(1,066,208)**	**-**	**(1,066,208)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,005)**	**(11,005)**
As at 30 June 2012	**296,169**	**4,942,924**	**110,708**	**824,664**	**4,582**	**2,705,217**	**8,884,264**	**67,508**	**8,951,772**

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	NOTE	2011 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Profit before tax		1,470,925	**1,493,082**
Adjustments for:			
Revenue on construction	36	(1,536,527)	**(1,512,139)**
Construction costs		1,536,527	**1,512,139**
Interest income		(97,251)	**(152,116)**
Interest expense		235,148	**268,706**
Net exchange gain		(121,434)	**(65,777)**
Provision for resurfacing charges		21,166	**26,129**
Depreciation and amortization charges		434,810	**485,979**
Share-based payment expense		162	**56**
Impairment losses reversed on other receivables		(147)	**(1,287)**
(Gain) loss on disposal of property and equipment		(3)	**356**
Operating cash flows before movements in working capital		1,943,376	**2,055,128**
Increase in inventories		(266)	**(59)**
Decrease (increase) in deposits and prepayments		4,876	**(6,884)**
Increase in interest and other receivables		(32,711)	**(10,707)**
Increase in provision, other payables, accruals and deposits received		29,447	**25,445**
Cash generated from operations		1,944,722	**2,062,923**
Income taxes paid		(374,033)	**(444,343)**
NET CASH FROM OPERATING ACTIVITIES		1,570,689	**1,618,580**
INVESTING ACTIVITIES			
Purchases of property and equipment		(47,248)	**(95,037)**
Construction costs paid		(1,510,191)	**(1,370,091)**
Proceeds on disposals of property and equipment		8	**255**
Advance to a jointly controlled entity *(note (i))*		(298,200)	**(18,300)**
Repayment from a jointly controlled entity		-	**305,000**
Placement of bank deposits		(850,305)	**(208,340)**
Withdrawal of bank deposits		542,172	**490,037**
Repayments of other receivable from a jointly controlled entity		38,065	**-**
Advance from a jointly controlled entity to another jointly controlled entity *(note (ii))*		16,398	**17,836**
Repayment from a jointly controlled entity to another jointly controlled entity		-	**(16,616)**
Advance of registered capital contributions *(note (i))*		(180,600)	**(295,240)**
Interest received		83,108	**139,366**
Income tax paid for interest received		(1,156)	**(10,041)**
NET CASH USED IN INVESTING ACTIVITIES		(2,207,949)	**(1,061,171)**
FINANCING ACTIVITIES			
New bank and other loans raised		822,822	**2,341,659**
Repayment of bank and other loans		(685,017)	**(291,852)**
Proceeds from issuance of corporate bonds		2,303,460	**-**
Registered capital contribution and loan made from a joint venture partner		180,600	**307,440**
Repayment of balances with joint venture partners		(381,641)	**-**
Interest paid		(240,822)	**(342,171)**
Dividends paid to:			
- owners of the Company		(918,124)	**(1,066,208)**
- non-controlling interests of a subsidiary		(10,274)	**(11,005)**
NET CASH FROM FINANCING ACTIVITIES		1,071,004	**937,863**

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	2011 HK$'000	2012 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	433,744	**1,495,272**
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	2,295,333	**2,902,511**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	173,434	**35,788**
CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,902,511	**4,433,571**
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash of the Group and jointly controlled entities	2,636,571	**4,118,717**
Pledged bank balances and deposits of jointly controlled entities	265,940	**314,854**
CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,902,511	**4,433,571**

Notes:

(i) The advance to a jointly controlled entity amounting to HK$18,300,000 (2011: HK$298,200,000) and the advance of registered capital contributions amounting to HK$295,240,000 (2011: HK$180,600,000) represent the loans and registered capital contributions made by the Group to 廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou - Zhuhai West Superhighway Company Limited ("West Route JV") with the principal amount of RMB30,000,000 (2011: RMB500,000,000) and RMB484,000,000 (2011: RMB300,000,000), respectively, during the year ended 30 June 2012, after elimination of the Group's proportionate share of the corresponding amounts of West Route JV.

(ii) The advance from a jointly controlled entity to another jointly controlled entity amounting to HK$17,836,000 (2011: HK$16,398,000) represent the loan made by 廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") to West Route JV with the principal amount of RMB731,000,000 (2011: RMB681,000,000) during the year ended 30 June 2012 after elimination of the Group's proportionate share of the corresponding amounts of both jointly controlled entities.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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 ("HHL"), a public limited company incorporated in Hong Kong whose shares are listed on the Stock Exchange.

The addresses of the registered office and 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 35 and 17 respectively.

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

2. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the International Accounting Standards Board (collectively referred to as the "new and revised IFRSs"), which are effective for the Group's financial year beginning on 1 July 2011.

IFRSs (Amendments)	Improvements to IFRSs 2010 that are effective for annual periods beginning on or after 1 January 2011
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IAS 24 (Revised)	Related Party Disclosures

IAS 12 (Amendments) titled *Deferred Tax: Recovery of Underlying Assets* have been applied in advance of their effective date (annual periods beginning on or after 1 January 2012) in order to apply consistently with its ultimate holding company, HHL. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

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

2. Adoption of New and Revised International Financial Reporting Standards (continued)

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

IFRSs (Amendments)	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
IFRS 1 (Amendments)	Government Loans[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[4]
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

2. Adoption of New and Revised International Financial Reporting Standards (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised 2011) and IAS 28 (Revised 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-Int 12 *Consolidation – Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013. The Group's jointly controlled entities that are currently accounted for using proportionate consolidation method will have to be accounted for using the equity method of accounting if they are joint ventures under IFRS 11.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with the 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 and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, as explained in the principal accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are 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 the end of each reporting period.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The results of jointly controlled entities are accounted for using proportionate consolidation.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in subsidiaries

Subsidiaries are those 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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any identified impairment loss. Results of the subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

3. Significant Accounting Policies (continued)

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 activity require the unanimous consent of the parties sharing control.

Joint venture arrangements which involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The Group recognizes its interests in jointly controlled entities using the proportionate consolidation method based on the profit-sharing ratios specified in the relevant joint venture agreements. The Group's share of each of the assets, liabilities, income and expenses of jointly controlled entities, other than the transactions and balances between the Group and jointly controlled entities, are combined with the Group's similar line items, line by line, in the consolidated financial statements. 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. Unrealized 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 unrealized losses provide evidence of an impairment of the asset.

Construction contracts

Where the outcome of a construction contract, including construction services of the infrastructure under service concession arrangements can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Depreciation is recognized so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized 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 the disposal or retirement of an item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. Significant Accounting Policies (continued)

Concession intangible assets

When the Group has a right to charge for usage of toll expressway, as a consideration for providing construction services in a service concession arrangement, it recognizes a concession intangible asset at fair value upon initial recognition. The concession intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

Amortization of concession intangible assets is calculated to write off their costs over their useful lives of 25 to 30 years, which commence from the date of commencement of commercial operation of the underlying toll expressways to the end of the respective remaining concession periods. The annual amortization of concession intangible assets is calculated by applying the ratio of actual traffic volume of the underlying toll expressways compared to the total expected traffic volume of the underlying toll expressways over the respective remaining concession periods to the net carrying value of the assets. The expected traffic volume is estimated by the management with reference to the traffic projection reports prepared by independent traffic consultants. The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gain or loss arising from derecognition of the concession intangible assets is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss in the period when the asset is derecognized.

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.

The Group provides construction services in exchange for concession intangible assets. The revenue on construction is recognized by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Toll revenue from the operation of toll expressways is recognized at the time of usage and when the tolls are received and receivable.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued 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 the financial asset to that asset's net carrying amount on initial recognition.

Management fee and advertising income are recognized 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 lessee. 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 space along the toll expressway for advertising and oil stations, is recognized in profit or loss on a straight-line basis over the respective lease term.

The Group as lessee

Operating leases payment is recognized as an expense on a straight-line basis over the term of the relevant leases.

3. Significant Accounting Policies (continued)

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 the respective 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 capitalization.

All other borrowing costs are recognized as expenses in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions. 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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss.

Inventories

Inventories, representing materials, spare parts and other consumable stores, are stated at the lower of cost and net realizable 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 recognized in the consolidated statement of financial position 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 recognized as fair value adjustment in profit or loss to the extent that this difference does not represent a capital contribution by the equity participant/distributions to 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.

If the estimate of payments or receipts is revised, the carrying amount of the financial asset or financial liability (or group of financial instruments) is adjusted to reflect actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognized as income or expense in profit or loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The financial assets of the Group and the Company are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized 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 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 to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including balance with a jointly controlled entity, interest and other receivables, amounts due from subsidiaries, bank balances and deposits, and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

An impairment loss is recognized 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.

Financial assets are assessed for impairment on an individual basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts due from subsidiaries and interest and 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 recognized in profit or loss. When the amounts due from subsidiaries and interest and other receivable are considered uncollectible, they are 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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 amortized 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 (including all fees 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities (including other payables, accruals, balances with a joint venture partner and a jointly controlled entity, amounts due to subsidiaries, bank and other loans, other interest payable and corporate bonds) are subsequently measured at amortized 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) is recognized as a deduction from equity. For the shares repurchased for the shares award scheme, the cost of the Company's shares repurchased is recognized as a deduction from equity under the reserve of shares held for share award scheme. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of such shares.

Derecognition

Financial assets are derecognized 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 is recognized in profit or loss.

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

3. Significant Accounting Policies (continued)

Resurfacing obligations

As part of its obligations under the contractual service arrangements, the jointly controlled entities of the Group assume responsibility for resurfacing of the toll expressways. The resulting resurfacing costs are recognized as resurfacing obligations, when the jointly controlled entities of the Group has a present legal or constructive obligation as a result of past events.

Resurfacing obligations are measured at the present value of the director's best estimate of the expenditures expected to be required to settle the obligation at the end of the reporting period that is proportional to the traffic volume by that date, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the resurfacing obligations due to passage of time (over the estimated resurfacing work for every twelve years) is recognized in profit or loss.

Provision

Provision is recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Equity-settled share-based payment transactions

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).

At the end of the reporting period, 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 recognized in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognized 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 recognized in share option reserve will be transferred to retained profits.

3. Significant Accounting Policies (continued)

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

4. Key Sources 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, are discussed below:

(a) Amortization of concession intangible assets

Amortization of concession intangible assets is calculated based on the ratio of actual traffic volume of the underlying toll expressways compared to the total expected traffic volume of the underlying toll expressways over the remaining concession periods of the service concession agreements. As part of the established policy of the Group, the management has reviewed the total expected traffic volume at the end of the reporting periods. Adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between the total expected traffic volume and the actual results.

In the current year, the Group reported amortization of concession intangible assets amounting to approximately HK$441,484,000 (2011: HK$392,427,000). The management considers that these are calculated by reference to the best estimates of the total expected traffic volumes of the underlying toll expressways and they should not be materially different from the actual traffic volumes in the future. The current year amortization charged to profit or loss is less than the amortization estimated in the prior financial year based on the then expected traffic volumes for future financial years by approximately HK$28,500,000 (2011: HK$13,686,000).

4. Key Sources of Estimation Uncertainty (continued)

(b) Resurfacing obligations

The jointly controlled entities of the Group have contractual obligations under the contractual service arrangements to maintain the toll expressways to a specified level of serviceability over the respective concession periods. These obligations to maintain or restore the toll expressways, except for upgrade services, are to be recognized and measured as resurfacing obligations. Resurfacing obligations as at 30 June 2012 amounting to HK$69,979,000 (2011: HK$52,518,000) had been made at the present value of expenditures expected to be incurred by the Group to settle the obligations.

The amount expected to be required to settle the obligations at the end of the reporting period is determined based on the number of major resurfacing works to be undertaken over the concession periods under the service concession agreements and the expected costs to be incurred for each event. The costs are then discounted to the present value based on a pre-tax discount rate.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the management, which were based on the resurfacing plans of the Group, historical costs incurred for similar activities and the latest quotations from the service provider.

In addition, the management are of the view that the discount rate currently used in the current estimate should reflect the time value of money and the risks specific to the obligations.

If the expected expenditures, resurfacing plans and discount rate were different from the management's current estimates, the change in resurfacing obligations is required to be accounted for prospectively.

5. Turnover and Segment Information

Turnover

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

	2011 *HK$'000*	***2012*** ***HK$'000***
Toll revenue before business tax	2,345,508	**2,459,244**
Business tax	(70,937)	**(73,578)**
	2,274,571	**2,385,666**
Revenue on construction	1,536,527	**1,512,139**
	3,811,098	**3,897,805**

5. Turnover and Segment Information (continued)

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

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

Information regarding the above segments is reported below.

Segment revenue and results

	2011			**2012**		
	Segment revenue HK$'000	*EBIT HK$'000*	*Segment result HK$'000*	***Segment revenue HK$'000***	***EBIT HK$'000***	***Segment result HK$'000***
GS Superhighway	2,020,680	1,403,266	977,730	**2,067,701**	**1,448,606**	**993,309**
Phase I West	96,262	62,788	43,975	**94,522**	**62,191**	**41,989**
Phase II West	157,629	81,318	(54,696)	**223,443**	**121,399**	**(45,288)**
Total	2,274,571	1,547,372	967,009	**2,385,666**	**1,632,196**	**990,010**
Corporate interest income from bank deposits			76,207			**106,042**
Corporate interest income from loan made by the Group to a jointly controlled entity			7,245			**28,786**
Other income			1,572			**1,566**
Corporate general and administrative expenses			(47,563)			**(58,080)**
Corporate finance costs			(53,051)			**(66,761)**
Corporate income tax expenses			(3,336)			**(11,046)**
Net exchange gain, net of related income tax expenses			89,211			**50,828**
Profit for the year			1,037,294			**1,041,345**

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

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

5. Turnover and Segment Information (continued)

Reconciliation from segment revenue to turnover

	2011 HK$'000	2012 HK$'000
Segment revenue – net toll revenue	2,274,571	2,385,666
Revenue on construction	1,536,527	1,512,139
Turnover	3,811,098	3,897,805

Other segment information

2011

	GS Superhighway HK$'000	Phase I West HK$'000	Phase II West HK$'000	Segment total HK$'000	Reallocation HK$'000 (Note (i))	Elimination HK$'000 (Note (ii))	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss:								
Depreciation and amortization	366,245	12,509	54,978	433,732	-	-	1,078	434,810
Interest income	(7,793)	(453)	(363)	(8,609)	(10,802)	5,612	(83,452)	(97,251)
Interest expenses	28,200	18,074	136,015	182,289	10,802	(5,612)	53,051	240,530
Income tax expenses	397,336	737	-	398,073	-	-	35,558	433,631

2012

	GS Superhighway HK$'000	Phase I West HK$'000	Phase II West HK$'000	Segment total HK$'000	Reallocation HK$'000 (Note (i))	Elimination HK$'000 (Note (ii))	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss:								
Depreciation and amortization	407,264	13,450	64,259	484,973	-	-	1,006	485,979
Interest income	(26,789)	(199)	(241)	(27,229)	(14,143)	24,084	(134,828)	(152,116)
Interest expenses	27,324	22,434	166,687	216,445	14,143	(24,084)	66,761	273,265
Income tax expenses	427,973	(2,232)	-	425,741	-	-	25,996	451,737

Notes:

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

(ii) Included in the measure of segment profit or loss, interest income/expense for the loan from GS Superhighway to Phase II West are presented on gross basis. Amounts are eliminated to reconcile from "Segment total" to "Consolidated total".

5. Turnover and Segment Information (continued)

Geographical information

The Group's operations are located in the PRC. All of the Group's revenue from external customers by location where the services were provided and the location of the non-current assets amounting to HK$15,980,176,000 (2011: HK$14,662,951,000) are in the PRC.

Segment assets and liabilities

Segment assets and liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to chief operating decision maker for the purpose of resource allocation and performance assessment.

6. Other Income and Other Expense

	2011 *HK$'000*	***2012*** ***HK$'000***
Interest income from:		
Bank deposits	79,204	**109,187**
Loan made by the Group to a jointly controlled entity	7,245	**28,786**
Imputed interest income on interest-free registered capital contributions made to a jointly controlled entity	10,802	**14,143**
Net exchange gain	121,434	**65,777**
Rental income	4,125	**4,662**
Management fee income from jointly controlled entities	1,570	**1,566**
Gain (loss) on disposal of property and equipment	3	**(356)**
Advertising income	5,709	**5,063**
Others	14,778	**18,147**
	244,870	**246,975**

7. Finance Costs

	2011 *HK$'000*	***2012*** ***HK$'000***
Interest on:		
Bank loans	203,879	**268,808**
Corporate bonds	47,963	**61,831**
Loans made by the Group to a jointly controlled entity	3,623	**14,393**
Loans made by a jointly controlled entity to another jointly controlled entity	233	**1,004**
Imputed interest on:		
Interest-free registered capital contributions made by a joint venture partner	10,801	**14,142**
Other interest-free loan	437	**485**
	266,936	**360,663**
Other financial expenses	5,382	**4,559**
	272,318	**365,222**
Less: Amounts included in toll expressway construction costs	(31,788)	**(91,957)**
	240,530	**273,265**

8. Income Tax Expenses

	2011 HK$'000	2012 HK$'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
The Group	32,007	61,387
Jointly controlled entities	362,961	379,847
Refund of EIT of a jointly controlled entity recognized in prior year	-	(2,232)
Deferred taxation *(note 29)*	38,663	12,735
	433,631	451,737

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

Included in the EIT charge of the Group is the withholding tax in relation to the dividends distributed from GS Superhighway JV amounting to HK$50,341,000 (2011: HK$28,672,000).

The EIT charge of the jointly controlled entities for the year ended 30 June 2012 represents the Group's proportionate share of the provision for the EIT of GS Superhighway JV for the year ended 30 June 2012 amounting to approximately HK$379,847,000, which is calculated at 24% for the half year ended 31 December 2011 and 25% for the half year ended 30 June 2012 of the estimated taxable profit for the year. No provision for the EIT of West Route JV has been made as West Route JV has no assessable profit for the year ended 30 June 2012.

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

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-year half of the regular tax rate ("5 + 5" exemption). The first year for which GS Superhighway JV recorded profits for PRC tax purposes was the year ended 31 December 2000 and the "5+5" exemption from income tax expired in December 2009.

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

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

8. Income Tax Expenses (continued)

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

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

	2011 *HK$'000*	***2012*** ***HK$'000***
Profit before tax	1,470,925	**1,493,082**
Tax at normal PRC income tax rate of 25% (2011: 25%)	367,731	**373,271**
Effect of concessionary rate on income tax expenses	(34,198)	**(29,690)**
Tax effect of income not taxable for tax purposes	(306,782)	**(375,849)**
Tax effect of expenses not deductible for tax purposes	344,327	**428,030**
Differential tax rate on temporary difference of jointly controlled entities	839	**(1,757)**
Deferred tax on undistributed earnings of PRC jointly controlled entities *(note 29)*	32,450	**7,775**
Withholding tax on earnings distributed by PRC jointly controlled entities	28,672	**50,341**
Others	592	**(384)**
Income tax expenses	433,631	**451,737**

9. Profit for the Year

	2011 *HK$'000*	***2012*** ***HK$'000***
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,602	**1,602**
Directors' remuneration *(note 10)*	18,150	**23,609**
Other staff costs	150,004	**176,435**
Total staff costs	168,154	**200,044**
Amortization of concession intangible assets	392,427	**441,484**
Depreciation of property and equipment	42,437	**44,636**
Less: Amount included in toll expressway construction costs	(54)	**(141)**
	42,383	**44,495**
Impairment losses reversed on other receivables	(147)	**(1,287)**
(Gain) loss on disposal of property and equipment	(3)	**356**

10. Directors' and Five Highest Paid Individuals' Emoluments

Directors' emoluments

The emoluments paid or payable to each of the 12 (2011: 11) directors were as follows:

	2011					2012				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Contributions to retirement benefits plans HK$'000	Total HK$'000	Directors' fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Contributions to retirement benefits plans HK$'000	Total HK$'000
Sir Gordon Ying Sheung WU	300	3,000	-	-	3,300	300	3,090	1,250	-	4,640
Eddie Ping Chang HO	250	2,400	-	-	2,650	250	2,472	800	-	3,522
Thomas Jefferson WU	200	1,846	154	12	2,212	200	2,461	462	12	3,135
Alan Chi Hung CHAN	200	2,800	230	12	3,242	200	3,117	690	12	4,019
Cheng Hui JIA	200	3,000	250	-	3,450	200	3,340	750	-	4,290
Alan Ming Fai TAM	200	1,920	160	12	2,292	200	2,138	480	12	2,830
Philip Tsung Cheng FEI	200	-	-	-	200	200	-	-	-	200
Kojiro NAKAHARA	200	-	-	-	200	200	-	-	-	200
Chung Kwong POON	200	30	-	-	230	200	-	-	-	200
Yuk Keung IP *(note a)*	-	-	-	-	-	200	-	-	-	200
Brian David Man Bun LI *(note b)*	-	-	-	-	-	200	-	-	-	200
Gordon YEN *(note c)*	200	-	-	-	200	173	-	-	-	173
Lee Yick NAM *(note d)*	174	-	-	-	174	-	-	-	-	-
	2,324	14,996	794	36	18,150	2,523	16,618	4,432	36	23,609

Notes:

(a) Mr. Yuk Keung IP was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 1 July 2011 and was appointed as a member of the Remuneration Committee of the Company on 12 May 2012.

(b) Mr. Brian David Man Bun LI was appointed as an Independent Non-Executive Director and a member of Audit Committee of the Company on 1 July 2011.

(c) Mr. Gordon YEN resigned as an Independent Non-Executive Director and a member of each of the Audit Committee and the Remuneration Committee of the Company with effect from 12 May 2012.

(d) Mr. Lee Yick NAM resigned as an Independent Non-Executive Director of the Company with effect from 14 May 2011.

Five highest paid individuals' emoluments

The five highest paid individuals of the Group in 2011 and 2012 were all directors of the Company and details of their emoluments are disclosed above.

During the two years ended 30 June 2012, 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.

11. Dividends

	2011 HK$'000	2012 HK$'000
Dividends paid and recognized as a distribution during the year:		
Interim dividend paid of HK18 cents (2011: HK16 cents) per share	473,870	**533,104**
Final dividend for the year ended 30 June 2011 paid of HK18 cents (2011: year ended 30 June 2010 paid of HK15 cents) per share	444,254	**533,104**
	918,124	**1,066,208**
Final dividend proposed of HK16 cents (2011: HK18 cents) per share	533,104	**473,870**

A final dividend in respect of the financial year 2012 of HK16 cents per share totalling approximately HK$473,870,000 is proposed by the Board. The dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as liabilities in these consolidated financial statements. The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these consolidated financial statements.

12. Earnings Per Share

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

	2011 HK$'000	2012 HK$'000
Earnings for the purposes of basic and diluted earnings per share	1,018,481	**1,023,218**

	2011 Number of shares	2012 Number of shares
Number of ordinary shares for the purposes of basic and diluted earnings per share	2,961,690,283	**2,961,690,283**

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for years ended 30 June 2011 and 30 June 2012.

13. Retirement Benefits Plans

The Group has established a Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$20,000 (increases to HK$25,000 effective from 1 June 2012). At 30 June 2012, 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$599,000 (2011: HK$529,000).

The employees of the Group's jointly controlled entities in PRC 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$15,924,000 (2011: HK$13,253,000).

14. Property and Equipment

	The Group				
	Buildings HK$'000	*Motor vehicles HK$'000*	*Ancillary traffic facilities, furniture, fixtures and equipment HK$'000*	*Construction in progress HK$'000*	*Total HK$'000*
COST					
As at 1 July 2010	77,833	36,468	294,146	17,146	425,593
Exchange adjustments	3,748	1,980	14,516	852	21,096
Additions	-	5,519	2,495	39,234	47,248
Transfer	3,411	-	22,291	(25,702)	-
Disposals/written off	-	-	(7)	-	(7)
As at 30 June 2011	**84,992**	**43,967**	**333,441**	**31,530**	**493,930**
Exchange adjustments	**1,150**	**635**	**4,402**	**419**	**6,606**
Additions	**481**	**13,049**	**5,628**	**75,879**	**95,037**
Transfer	**15,127**	**-**	**75,405**	**(90,532)**	**-**
Disposals/written off	**-**	**(2,076)**	**(139)**	**-**	**(2,215)**
As at 30 June 2012	**101,750**	**55,575**	**418,737**	**17,296**	**593,358**
DEPRECIATION					
As at 1 July 2010	3,857	21,460	93,181	-	118,498
Exchange adjustments	274	1,327	5,629	-	7,230
Charge for the year	3,458	4,547	34,432	-	42,437
Eliminated on disposals/ written off	-	-	(2)	-	(2)
As at 30 June 2011	**7,589**	**27,334**	**133,240**	**-**	**168,163**
Exchange adjustments	**104**	**418**	**2,237**	**-**	**2,759**
Charge for the year	**4,168**	**3,801**	**36,667**	**-**	**44,636**
Eliminated on disposals/ written off	**-**	**(1,465)**	**(139)**	**-**	**(1,604)**
As at 30 June 2012	**11,861**	**30,088**	**172,005**	**-**	**213,954**
CARRYING AMOUNTS					
As at 30 June 2011	77,403	16,633	200,201	31,530	325,767
As at 30 June 2012	**89,889**	**25,487**	**246,732**	**17,296**	**379,404**

The above items of property and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	3% - 4%
Motor vehicles	9% - 20%
Ancillary traffic facilities, furniture, fixtures and equipment	3.45% - 20%

15. Concession Intangible Assets

	The Group HK$'000
COST	
As at 1 July 2010	15,413,613
Exchange adjustments	766,517
Additions	1,536,527
As at 30 June 2011	**17,716,657**
Exchange adjustments	**235,628**
Additions	**1,512,139**
As at 30 June 2012	**19,464,424**
AMORTIZATION	
At 1 July 2010	2,839,559
Exchange adjustments	147,487
Charge for the year	392,427
As at 30 June 2011	**3,379,473**
Exchange adjustments	**42,695**
Charge for the year	**441,484**
As at 30 June 2012	**3,863,652**
CARRYING AMOUNTS	
As at 30 June 2011	14,337,184
As at 30 June 2012	**15,600,772**

The amortization rates of the concession intangible assets for the year ended 30 June 2012 under the method set out in note 3 ranged from 1.24% to 4.73% (2011: 0.82% to 4.37%).

16. Investments in Subsidiaries

	The Company	
	2011 HK$'000	***2012 HK$'000***
Investment in subsidiaries	2,187,246	**2,216,313**
Capital contributions to subsidiaries	371,782	**587,810**
	2,559,028	**2,804,123**

Particulars of the principal subsidiaries are set out in note 35.

17. Investments in Jointly Controlled Entities

Particulars of the Group's jointly controlled entities as at 30 June 2012 and 2011 are as follows:

Name of company	*Place of establishment*	*Registered capital contribution*	*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	RMB4,263,000,000 *(note (ii))*	Development, operation and management of an expressway	50%

Both 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 development, operation and management of an expressway in Guangdong Province of the PRC 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 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.

The registered capital amounting to HK$702,000,000 previously injected by the Group to GS Superhighway JV had been repaid to the Group by GS Superhighway JV during the year ended 30 June 2008.

(ii) West Route JV

West Route JV is established to undertake the development, operation and management of an expressway linking Guangzhou, Zhongshan and Zhuhai ("Western Delta Route") and is scheduled to be built in three phases. 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 which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB294,000,000).

17. Investments in Jointly Controlled Entities (continued)

(ii) West Route JV (continued)

The initial estimated total investment for the Phase II West was RMB4,900,000,000, 35% of which was funded by an increase in the registered capital of West Route JV by RMB1,715,000,000 in total which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB857,500,000). On 2 September 2008, the Group entered into amendment agreements in relation to Phase II West with the PRC joint venture partner to increase the total investment for Phase II West by RMB2,300,000,000 to RMB7,200,000,000. 35% of the increase in total investment will be funded by an increase in the registered capital of West Route JV by RMB805,000,000 to be contributed by the Group and the PRC joint venture partner in equal shares. The additional capital contribution thereon to be made by the Group to West Route JV for the development of Phase II West is RMB402,500,000. The amendment agreements have been approved by the shareholders of the Company and HHL during the year ended 30 June 2009 and are being processed by the relevant PRC authorities as at the date of these consolidated financial statements approved for issuance.

The currently planned total investment for the Phase III West is RMB5,600,000,000, 35% of which will be funded by an increase in the registered capital of West Route JV by RMB1,960,000,000 to be contributed by the Group and the PRC joint venture partner in equal shares (i.e. each to contribute RMB980,000,000). During the year ended 30 June 2012, the Group and the PRC partner made capital contributions to West Route JV in respect of Phase III West amounting to RMB484,000,000 (2011: RMB300,000,000) and RMB484,000,000 (2011: RMB300,000,000) respectively. As at 30 June 2012, the total capital contributions made to West Route JV in respect of Phase III West by the Group and the PRC partner amounting to RMB980,000,000 (2011: RMB496,000,000) and RMB980,000,000 (2011: RMB496,000,000), respectively.

The expiration date of the joint venture operation period for West Route JV was extended from 16 September 2038 to 16 September 2043. As at 30 June 2012, the approved registered capital of West Route JV was RMB4,263,000,000 (2011: RMB4,263,000,000).

The Group is entitled to 50% of the distributable profits from operation of West Route JV. At the end of the respective operation periods of Phase I West, Phase II West and Phase III West, all the immovable assets and facilities of each phase will be reverted to relevant PRC governmental authority which regulates transportation without compensation. The registered capital contributions are required to be repaid to both the Group and PRC joint venture partner. The repayments are required to be approved by the board of directors of West Route JV.

17. Investments in Jointly Controlled Entities (continued)

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

In respect of the year ended 30 June 2011:

	GS Superhighway JV HK$'000	*West Route JV HK$'000*	*Total HK$'000*
Current assets	624,952	220,512	845,464
Non-current assets	6,305,197	6,501,014	12,806,211
Current liabilities	885,450	1,360,364	2,245,814
Non-current liabilities	2,855,553	3,327,639	6,183,192
Income	2,622,133	1,649,819	4,271,952
Expenses	(1,026,081)	(1,394,227)	(2,420,308)
Profit before tax	1,596,052	255,592	1,851,644
Income tax expenses	(368,436)	(737)	(369,173)
Profit after tax	1,227,616	254,855	1,482,471

In respect of the year ended 30 June 2012:

	GS Superhighway JV HK$'000	***West Route JV HK$'000***	***Total HK$'000***
Current assets	**626,339**	**389,281**	**1,015,620**
Non-current assets	**6,409,458**	**7,777,234**	**14,186,692**
Current liabilities	**1,045,159**	**1,171,723**	**2,216,882**
Non-current liabilities	**2,582,172**	**4,347,101**	**6,929,273**
Income	**2,432,512**	**2,073,552**	**4,506,064**
Expenses	**(861,788)**	**(1,616,593)**	**(2,478,381)**
Profit before tax	**1,570,724**	**456,959**	**2,027,683**
Income tax (expenses) credit	**(384,807)**	**2,232**	**(382,575)**
Profit after tax	**1,185,917**	**459,191**	**1,645,108**

18. Amount due from a Subsidiary

The Company

The amount due from a subsidiary classified under non-current assets is interest-free, unsecured and with no fixed repayment term. In the opinion of the directors of the Company, based on their assessment as at 30 June 2011 and 2012 of the estimated future cash flows from a subsidiary, the amount due from a subsidiary will not be repayable within one year from the end of the reporting period, accordingly this amount is classified as non-current. The effective interest rate on the amount due from a subsidiary at the end of the reporting period ranged from 0.66% to 4.92% (2011: 0.66% to 4.92%) per annum, representing the borrowing rates of that subsidiary. As at 30 June 2012, the amount due from a subsidiary amounting to approximately HK$578,513,000 (2011: HK$561,899,000) are denominated in HKD and the remaining amount due from a subsidiary amounting to approximately HK$914,397,000 (2011: HK$603,070,000) are denominated in RMB.

19. Balance with a Jointly Controlled Entity

	The Group	
	2011	***2012***
	HK$'000	***HK$'000***
Registered capital contribution made by the Group to West Route JV	232,440	**299,848**
Loans made by the Group to a jointly controlled entity	304,367	**20,330**
	536,807	**320,178**

The total balance represents registered capital contributed by the Group and loans made by the Group to a jointly controlled entity after elimination of the Group's proportionate share of the corresponding amounts of the jointly controlled entity.

The registered capital contributions with principal amount of RMB2,131,500,000 (2011: RMB1,647,500,000) made by the Group to West Route JV are interest-free and the repayments of registered capital contributions are required to be approved by the board of directors of West Route JV. The directors of the Company consider that the repayment would be made at the expiry dates of the relevant joint venture periods. The effective interest rate adopted for measurement at fair value at initial recognition of the registered capital contribution made by the Group to West Route JV ranged from 4.67% to 7.05% (2011: 4.67% to 7.05%) per annum.

The loans made by the Group to West Route JV are unsecured, carry fixed interest rates at 5.99% (2011: 5.27% to 5.76%) per annum and repayable within twelve months from the end of the reporting period.

20. Amounts due from/to Subsidiaries

The Company

The current portion of amounts due from subsidiaries and the amounts due to subsidiaries are unsecured, interest-free and repayable on demand. As at 30 June 2012, amounts due from subsidiaries of approximately HK$2,283,020,000 (2011: HK$1,289,718,000) are denominated in HKD and the remaining amounts due from subsidiaries of approximately HK$1,629,721,000 (2011: HK$3,653,982,000) are denominated in RMB. As at 30 June 2012, the amounts due to subsidiaries are denominated in HKD (2011: HKD).

21. Bank Deposits/Pledged Bank Balances and Deposits of Jointly Controlled Entities/Bank Balances and Cash

Bank deposits of the Group

As at 30 June 2011, the bank deposits of HK$589,960,000 were denominated in RMB and carried interest at variable rates. The interest rates of the bank deposits for the year ended 30 June 2011 were ranged from 3.25% to 4.15% per annum and the contractual maturity of the bank deposits was two years from the placement.

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$627,080,000 (2011: HK$28,896,000) with maturities ranged from one day to two years from the placement (2011: one day to six months) carry interest at prevailing interest rates ranged from 0.01% to 4.40% (2011: 0.36% to 3.05%) per annum. Remaining bank balances and cash carry interest at market rates which range from 0.01% to 0.50% (2011: 0.01% to 0.50%) per annum.

The pledged bank balances and deposits of jointly controlled entities were for the purpose of securing banking facilities granted to respective jointly controlled entities of the Group. As at 30 June 2012, other than the amount of approximately HK$29,280,000 (2011: HK$28,896,000) with maturity period of six months, the remaining amount of approximately HK$314,854,000 (2011: HK$265,940,000) was available for use by the jointly controlled entities by servicing notices to relevant banks providing the banking facilities.

Analysis of the pledged bank balances and deposits of the jointly controlled entities, bank balances and cash of the Group and jointly controlled entities by currency:

	2011 *HK$'000*	***2012*** ***HK$'000***
RMB	3,208,834	**5,060,030**
United States dollars ("USD")	88	**62**
HKD	3,403	**559**
	3,212,325	**5,060,651**

21. Bank Deposits/Pledged Bank Balances and Deposits of Jointly Controlled Entities/Bank Balances and Cash (continued)

Bank balances and cash of the Company include time deposits of HK$1,712,040,000 (2011: HK$60,211,000) with original maturity range from one day to three months (2011: one day to six months) that carry interest at prevailing interest rates range from 0.01% to 3.35% (2011: 0.50% to 1.10%) per annum. Remaining bank balances and cash carried interest at market rates which ranged from 0.01% to 0.30% (2011: 0.01% to 0.30%) per annum.

Analysis of the Company's bank balances and cash by foreign currencies (i.e. USD and HKD) and functional currency (i.e. RMB):

	2011 *HK$'000*	***2012*** ***HK$'000***
RMB	61,212	**1,712,598**
USD	36	**30**
HKD	516	**232**
	61,764	**1,712,860**

22. Interest and Other Receivables

The following is an analysis of the interest and other receivables outstanding at the end of the reporting period:

	The Group *2011* *HK$'000*	***2012*** ***HK$'000***
Toll revenue receivables	62,836	**71,605**
Interest receivable	21,597	**22,508**
Others	26,629	**29,132**
Less: Allowance for doubtful debts	(7,519)	**(6,332)**
Total interest and other receivables	103,543	**116,913**

Toll revenue receivables are normally settled within 30 days (2011: 30 days).

Included in the interest and other receivables are debtors with an aggregate carrying amount of HK$946,000 (2011: HK$1,321,000) which are past due within one year for which no impairment loss has been provided. There is no collateral held over these balances.

The Group has fully provided for past due receivables that are not expected to be recovered.

22. Interest and Other Receivables (continued)

Movement in the allowance for doubtful debts

	2011 *HK$'000*	***2012*** ***HK$'000***
Balance at beginning of the year	7,303	**7,519**
Impairment losses reversed on other receivables	(147)	**(1,287)**
Exchange adjustments	363	**100**
Balance at end of the year	7,519	**6,332**

Allowance for doubtful debts with an aggregate balance of HK$6,332,000 (2011: HK$7,519,000) are provided for individually impaired other receivables which have severe financial difficulties. No collateral is held over these balances.

23. Share Capital

The Group and the Company

	Number of shares	***Nominal amount HK$'000***
Ordinary shares of HK$0.1 each		
Authorized:		
As at 1 July 2010, 30 June 2011 and 30 June 2012	**10,000,000,000**	**1,000,000**
Issued and fully paid:		
As at 1 July 2010, 30 June 2011 and 30 June 2012	**2,961,690,283**	**296,169**

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 HHL, 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 recognized in profit or loss when received.

23. Share Capital (continued)

Share option scheme (continued)

The following table discloses the details of share options granted under the Option Scheme by the Company to its directors and employees at nominal consideration:

		Number of shares under options granted						
		Outstanding	Movements during the year			At 30 June 2011		Weighted average share price at the
Date of grant	Subscription price per share HK$	at 1 July 2010	Granted	Exercised	Lapsed	Outstanding	Exercisable	date of exercise HK$
17 October 2006	5.858	4,440,000	-	-	(72,000)	4,368,000	3,552,000	N/A
19 November 2007	6.746	360,000	-	-	-	360,000	216,000	N/A
24 July 2008	5.800	400,000	-	-	-	400,000	160,000	N/A
		5,200,000	-	-	(72,000)	5,128,000	3,928,000	
Weighted average exercise price		HK$5.915	N/A	N/A	HK$5.858	HK$5.916	HK$5.905	

		Number of shares under options granted						
		Outstanding	Movements during the year			At 30 June 2012		Weighted average share price at the
Date of grant	Subscription price per share HK$	at 1 July 2011	Granted	Exercised	Lapsed	Outstanding	Exercisable	date of exercise HK$
17 October 2006	5.858	4,368,000	-	-	(288,000)	4,080,000	4,080,000	N/A
19 November 2007	6.746	360,000	-	-	-	360,000	288,000	N/A
24 July 2008	5.800	400,000	-	-	-	400,000	240,000	N/A
		5,128,000	-	-	(288,000)	4,840,000	4,608,000	
Weighted average exercise price		HK$5.916	N/A	N/A	HK$5.858	HK$5.919	HK$5.910	

23. Share Capital (continued)

Share option scheme (continued)

The followings are the particulars of share options granted under Option Scheme:

Date of Grant	*Number of share options*	*Vesting period*	*Exercisable period*	*Exercise price per share HK$*
17 October 2006	1,240,000	1 December 2006 to 30 November 2007	1 December 2007 to 30 November 2013	5.858
17 October 2006	1,240,000	1 December 2006 to 30 November 2008	1 December 2008 to 30 November 2013	5.858
17 October 2006	1,240,000	1 December 2006 to 30 November 2009	1 December 2009 to 30 November 2013	5.858
17 October 2006	1,240,000	1 December 2006 to 30 November 2010	1 December 2010 to 30 November 2013	5.858
17 October 2006	1,240,000	1 December 2006 to 30 November 2011	1 December 2011 to 30 November 2013	5.858
19 November 2007	152,000	19 November 2007 to 30 November 2008	1 December 2008 to 30 November 2014	6.746
19 November 2007	152,000	19 November 2007 to 30 November 2009	1 December 2009 to 30 November 2014	6.746
19 November 2007	152,000	19 November 2007 to 30 November 2010	1 December 2010 to 30 November 2014	6.746
19 November 2007	152,000	19 November 2007 to 30 November 2011	1 December 2011 to 30 November 2014	6.746
19 November 2007	152,000	19 November 2007 to 30 November 2012	1 December 2012 to 30 November 2014	6.746
24 July 2008	160,000	1 August 2008 to 31 July 2009	1 August 2009 to 31 July 2015	5.800
24 July 2008	160,000	1 August 2008 to 31 July 2010	1 August 2010 to 31 July 2015	5.800
24 July 2008	160,000	1 August 2008 to 31 July 2011	1 August 2011 to 31 July 2015	5.800
24 July 2008	160,000	1 August 2008 to 31 July 2012	1 August 2012 to 31 July 2015	5.800
24 July 2008	160,000	1 August 2008 to 31 July 2013	1 August 2013 to 31 July 2015	5.800

Share option expenses charged to the profit or loss are based on valuation determined using the Binomial model. Share options granted were valued based on the following assumptions:

Date of grant	*Number of options granted*	*Fair values of options granted HK$*	*Closing share price at date of grant HK$*	*Exercise price HK$*	*Expected volatility*	*Option life*	*Risk-free rate*	*Expected dividend yield*	*Suboptimal exercise factor*
17 October 2006	6,200,000	5,814,000	5.70	5.858	23.00%	7 years	3.969%	4.75%	2
19 November 2007	760,000	705,000	6.55	6.746	23.83%	7 years	3.330%	5.78%	2
24 July 2008	800,000	843,000	5.80	5.800	25.94%	7 years	3.600%	4.66%	1.31

23. Share Capital (continued)

Share option scheme (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous year. 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 management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognized the total expense of HK$56,000 for the year (2011: HK$162,000) in relation to share options granted.

24. Share Premium and Reserves

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. As at 30 June 2012, the Company's reserves available for distribution to its shareholders amounting to approximately HK$5,494,263,000 (2011: HK$5,688,300,000), comprising retained profits of approximately HK$551,339,000 (2011: HK$745,376,000) and share premium of approximately HK$4,942,924,000 (2011: HK$4,942,924,000).

	Share premium HK$'000	*Translation reserve HK$'000*	*Share option reserve HK$'000*	*Retained profits HK$'000*	*Total HK$'000*
As at 1 July 2010	4,942,924	50,006	4,636	1,136,264	6,133,830
Exchange gain arising on translation to presentation currency	-	282,513	-	-	282,513
Profit for the year	-	-	-	527,236	527,236
Total comprehensive income for the year	-	282,513	-	527,236	809,749
Recognition of equity-settled share-based payments	-	-	162	-	162
Dividends recognized as distribution during the year *(note 11)*	-	-	-	(918,124)	(918,124)
As at 30 June 2011	**4,942,924**	**332,519**	**4,798**	**745,376**	**6,025,617**
Exchange gain arising on translation to presentation currency	**-**	**126,263**	**-**	**-**	**126,263**
Profit for the year	**-**	**-**	**-**	**871,899**	**871,899**
Total comprehensive income for the year	**-**	**126,263**	**-**	**871,899**	**998,162**
Recognition of equity-settled share-based payments	**-**	**-**	**56**	**-**	**56**
Forfeiture of vested share options	**-**	**-**	**(272)**	**272**	**-**
Dividends recognized as distribution during the year *(note 11)*	**-**	**-**	**-**	**(1,066,208)**	**(1,066,208)**
As at 30 June 2012	**4,942,924**	**458,782**	**4,582**	**551,339**	**5,957,627**

25. Bank and Other Loans

The Group

The bank loan of the Group amounting to HK$1,220,000,000 (2011: nil), denominated in RMB, is unsecured, carries interest at fixed rate of 3.98% per annum and repayable within three years from the end of reporting period.

The bank loans of the Group amounting to HK$70,800,000 (2011: HK$24,700,000), denominated in HKD, are unsecured, carry interests at prevailing commercial lending rates and repayable on demand. The effective interest rates for bank loans for the year were ranged from 0.55% to 2.85% (2011: 0.62% to 0.70%) per annum.

As at 30 June 2012, the Group has available unutilized banking facilities of HK$1,211,200,000 (2011: HK$225,300,000).

Jointly controlled entities

The following is an analysis of the Group's proportionate share of bank and other loans of jointly controlled entities at the end of the reporting period:

	The Group	
	2011	***2012***
	HK$'000	***HK$'000***
Bank loans of the jointly controlled entities proportionately shared by the Group, secured *(note (i))*	6,173,600	**6,977,828**
Other loan of a jointly controlled entity proportionately shared by the Group, unsecured *(note (ii))*	6,536	**5,571**
	6,180,136	**6,983,399**
The borrowings are repayable as follows:		
Within one year	292,095	**374,816**
In the second year	375,182	**405,800**
In the third to fifth years inclusive	1,321,242	**1,486,326**
After five years	4,191,617	**4,716,457**
	6,180,136	**6,983,399**
Less: Amounts due for settlement within one year (shown under current liabilities)	(292,095)	**(374,816)**
Amounts due for settlement after one year	5,888,041	**6,608,583**

25. Bank and Other Loans (continued)

Jointly controlled entities (continued)

Analysis of the Group's proportionate share of borrowings of jointly controlled entities by foreign currencies (i.e. USD and HKD) and functional currency (i.e. RMB):

	2011			
	USD loans HK$'000	HKD loan HK$'000	RMB loans HK$'000	Total HK$'000
Bank loans	2,498,140	306,011	3,369,449	6,173,600
Other loan	-	-	6,536	6,536
	2,498,140	306,011	3,375,985	6,180,136

	2012			
	USD loans HK$'000	HKD loan HK$'000	RMB loans HK$'000	Total HK$'000
Bank loans	2,270,245	286,423	4,421,160	6,977,828
Other loan	-	-	5,571	5,571
	2,270,245	286,423	4,426,731	6,983,399

(i) As at 30 June 2012, the Group's proportionate share of floating rate bank loans of jointly controlled entities of approximately HK$6,977,828,000 (2011: HK$6,173,600,000) carries interest at prevailing commercial lending rate. The effective interest rates for bank loans for the year were ranged from 0.75% to 7.05% (2011: 0.75% to 6.80%) per annum.

(ii) As at 30 June 2012, the Group's proportionate share of other loan of a jointly controlled entity of approximately HK$5,571,000 (2011: HK$6,536,000) 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") with a principal amount of approximately RMB16,720,000. The effective interest rate adopted for measurement at fair value at initial recognition of the interest-free loan is 6.75% per annum.

The Company

The bank loan of the Company amounting to HK$1,220,000,000 (2011: nil), denominated in RMB, is unsecured, carries interest at fixed rate of 3.98% per annum and repayable within three years from the end of reporting period.

As at 30 June 2012, the Company has available unutilized banking facilities of HK$732,000,000 (2011: nil).

26. Balance with a Joint Venture Partner

The total balance represent the Group's proportionate share of registered capital contributions made to a jointly controlled entity by the PRC joint venture partner and amount due to the PRC joint venture partner.

	2011 HK$'000	2012 HK$'000
Registered capital contributions made by the PRC joint venture partner of West Route JV	232,381	299,788
Loan made by the PRC joint venture partner of West Route JV	-	12,200
	232,381	311,988

26. Balance with a Joint Venture Partner (continued)

The registered capital contributions with principal amount of RMB2,131,500,000 (2011: RMB1,647,500,000) made by the PRC joint venture partner to West Route JV are interest-free and the repayments of registered capital contributions during the relevant terms of the joint venture are required to be approved by the board of directors of West Route JV. At the expiry dates of the relevant joint venture periods, any remaining registered capital contributions will have to be repaid to the PRC joint venture partner. The directors of the Company estimated that the repayment would be made at the expiry dates of the relevant joint venture periods. The effective interest rate adopted for measurement at fair value at initial recognition of the registered capital contribution made by the PRC joint venture partner to West Route JV ranged from 4.67% to 7.05% (2011: 4.67% to 7.05%) per annum.

The loan made by the PRC joint venture partner of West Route JV was unsecured, carried interest at prevailing commercial lending rate and repayable within six months from the end of the reporting period. The interest rate for the year was 5.85% per annum.

27. Corporate Bonds

The corporate bonds with principal amount of RMB1,380,000,000 (approximately HK$1,683,600,000 (2011: approximately HK$1,661,520,000)) are due on 13 July 2012 and carry interest at fixed rate of 2.98% (2011: 2.98%) per annum. The other corporate bonds with principle amount of RMB600,000,000 (approximately HK$732,000,000 (2011: approximately HK$722,400,000)) are due on 18 May 2014 and carry interest at fixed rate of 1.55% (2011: 1.55%) per annum. Both corporate bonds are unsecured.

28. Resurfacing Obligations

The balances represent the Group's proportionate share of resurfacing obligations of the jointly controlled entities under the service concession arrangements.

	HK$'000
As at 1 July 2010	28,010
Exchange adjustments	3,342
Addition to provision in the year	21,166
As at 30 June 2011	**52,518**
Exchange adjustments	**995**
Addition to provision in the year	**26,129**
Utilization of resurfacing obligations	**(9,663)**
As at 30 June 2012	**69,979**

The resurfacing obligations represent the management's estimation of the Group's proportionate share on the obligations of the resurfacing work to be provided by the jointly controlled entities of the Group on an approximate twelve year cycle. The balances will be discharged after twelve months from the end of the reporting period and are therefore is classified as non-current liabilities.

29. Deferred Tax Liabilities

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

	Accelerated tax depreciation HK$'000	*Resurfacing obligations HK$'000*	*Other deductible temporary differences HK$'000*	*Tax losses HK$'000 (Note)*	*Undistributed earnings of PRC jointly controlled entities HK$'000*	*Total HK$'000*
As at 1 July 2010	221,675	(5,590)	(13,542)	-	122,967	325,510
Exchange adjustments	10,165	(641)	(673)	-	9,009	17,860
Charge (credit) to profit or loss *(note 8)*	23,736	(4,729)	(3,547)	(9,247)	32,450	38,663
As at 30 June 2011	**255,576**	**(10,960)**	**(17,762)**	**(9,247)**	**164,426**	**382,033**
Exchange adjustments	**4,017**	**(217)**	**(236)**	**(446)**	**1,984**	**5,102**
Charge (credit) to profit or loss *(note 8)*	**15,876**	**(2,205)**	**1,902**	**(10,613)**	**7,775**	**12,735**
As at 30 June 2012	**275,469**	**(13,382)**	**(16,096)**	**(20,306)**	**174,185**	**399,870**

Note: At 30 June 2012, deferred tax asset has been recognized in respect of the Group's proportionate share of the unused tax losses available to offset against future profits amounting to approximately HK$81,225,000 (2011: HK$38,528,000). The losses will expire on 31 December 2017.

30. Provision, Other Payables, Accruals and Deposits Received

The Group

The provision, other payables, accruals and deposits received represent provision for compensation payable, construction payables, and accrued charges on payroll and utility expenses.

The Company

The other payables and accruals represent mainly accrued charges on operating expenses.

31. Balance with a Jointly Controlled Entity

The balance with a jointly controlled entity represents the loans made by GS Superhighway JV to West Route JV after elimination of the Group's proportionate share of the corresponding amounts of the jointly controlled entities. The amount is unsecured, carries interest at prevailing commercial lending rate and repayable within two years (2011: twelve months) from the end of the reporting period. The interest rate for the year is 5.99% (2011: 5.45% to 5.68%) per annum.

32. 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 maximizing the return to owners through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior years.

The capital structure of the Group consist of bank and other loans and corporate bonds disclosed in notes 25 and 27, respectively, equity attributable to owners of the Company, comprising issued capital, share premium, retained profits 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 directors of the Company monitors the utilization of bank borrowings and ensures full compliance with loan covenants during the year.

33. Financial Instruments

(a) Categories of financial instruments

	The Group		*The Company*	
	2011	***2012***	*2011*	***2012***
	HK$'000	***HK$'000***	*HK$'000*	***HK$'000***
Financial assets				
Loans and receivables including cash and cash equivalents	4,442,635	**5,497,742**	6,170,447	**7,121,347**
Financial liabilities				
Amortized cost	9,635,583	**11,913,169**	2,413,188	**3,681,302**

(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 analyze 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 or speculative purpose.

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

33. Financial Instruments (continued)

(b) Financial risk management objectives (continued)

(i) Foreign currency risk management

The Group and its jointly controlled entities, and the Company undertake certain transactions denominated in foreign currencies, hence exposure to exchange fluctuation arise. Certain of the financial assets and liabilities of the Group and its jointly controlled entities, and the Company are denominated in HKD or USD which are currencies other than their respective functional currencies of the Company, its subsidiaries and its jointly controlled entities. The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities of the Group and its jointly controlled entities, and the Company at the end of the reporting period are as follows:

The Group

	Assets		*Liabilities*	
	2011	***2012***	*2011*	***2012***
	HK$'000	***HK$'000***	*HK$'000*	***HK$'000***
USD	88	**62**	2,498,651	**2,270,848**
HKD	6,396	**559**	315,445	**297,797**

The Company

	Assets		*Liabilities*	
	2011	***2012***	*2011*	***2012***
	HK$'000	***HK$'000***	*HK$'000*	***HK$'000***
USD	36	**30**	-	**-**
HKD	1,852,142	**2,827,508**	4,992	**20,365**

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

Sensitivity analysis

The foreign currency risk of the Group and its jointly controlled entities, and the Company is mainly concentrated on the fluctuation of RMB, the functional currency of the Company, its subsidiaries and jointly controlled entities as at 30 June 2012, against USD and HKD. The following sensitivity analysis includes currency risk related to USD and HKD denominated monetary items of the Company, the subsidiaries and the Group's jointly controlled entities. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

33. Financial Instruments (continued)

(b) Financial risk management objectives (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis (continued)

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.

The Group

	2011		2012	
	RMB strengthen (weaken)	Increase (decrease) in profit before tax HK$'000	RMB strengthen (weaken)	Increase (decrease) in profit before tax HK$'000
USD	5%	124,928	5%	113,539
	(5%)	(124,928)	(5%)	(113,539)
HKD	5%	14,700	5%	14,862
	(5%)	(14,700)	(5%)	(14,862)

The Company

	2011		2012	
	RMB strengthen (weaken)	Increase (decrease) in profit before tax HK$'000	RMB strengthen (weaken)	Increase (decrease) in profit before tax HK$'000
USD	5%	(2)	5%	(2)
	(5%)	2	(5%)	2
HKD	5%	(92,358)	5%	(140,357)
	(5%)	92,358	(5%)	140,357

(ii) Interest rate risk management

The cash flows interest rate risk of the Group and its jointly controlled entities relates primarily to variable rate bank loans, bank balances and deposits of the Group and its jointly controlled entities. The Group and its jointly controlled entities manage 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.

33. Financial Instruments (continued)

(b) Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

The Group, its jointly controlled entities, and the Company are exposed to fair value interest risk in relation to amount due from a subsidiary, balance with a jointly controlled entity, fixed rate bank loan, balance with a joint venture partner and corporate bonds, with details as set out in note 18, 19, 25, 26 and 27 respectively. The management continues to monitor the fair value interest rate exposure of the Group and the Company.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to interest rates in relation to the variable rate bank loans, bank balances and deposits of the Group and its jointly controlled entities at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. The 50 (2011: 50) basis point increase or decrease represents the management's assessment of the reasonably possible changes in interest rate.

The Group

If interest rate had been 50 (2011: 50) basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 30 June 2012, after considering the impact of interest capitalization, would decrease/increase by HK$26,241,000 (2011: HK$27,040,000).

(iii) Credit risk management

The Group

The Group's credit risk is primarily attributable to its balance with a jointly controlled entity, interest and other receivables, bank balances and deposits, and cash.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

33. Financial Instruments (continued)

(b) Financial risk management objectives (continued)

(iii) Credit risk management (continued)

The Group (continued)

In addition, the management 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 the end of the reporting period 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 Group has significant concentration of credit risk in its interest and other receivables as 47% (2011: 57%) of the interest and other receivables was due from one (2011: one) major debtor as at 30 June 2012. However, the credit risk on that debtor is limited since the debtor has good repayment history.

The pledged bank balances and deposits, and the bank balances and cash of the Group and its 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.

The Company

The Company's credit risk is primarily attributable to amounts due from subsidiaries and the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 41. The Company has concentration of risk as 48% (2011: 51%) of total amounts due from subsidiaries represented the two largest amounts due from subsidiaries. The credit risk is limited because the subsidiaries are under the same management with some financial risk management policies.

The bank balances and cash of the Company are concentrated on certain counterparties and the credit risk on liquid funds is limited because the counterparties are banks with good reputation.

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

(iv) Liquidity risk management

The Group's treasury activities are centralized to achieve better risk control and minimize the cost of funds. Cash is generally placed in bank deposits mostly denominated in RMB. 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.

33. Financial Instruments (continued)

(b) Financial risk management objectives (continued)

(iv) Liquidity risk management (continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on undiscounted cash flows of financial liabilities (including interest payments computed using contractual rates or, if floating, based on rate current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	Interest rate %	*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 amounts HK$'000*
2011								
Other payables, accruals and deposits received	-	767,064	-	-	-	-	767,064	767,064
Balance with a joint venture partner - non-current *(note)*	-	-	-	-	-	991,795	991,795	232,381
Other interest payable	-	-	30,984	-	-	-	30,984	30,984
Bank and other loans of jointly controlled entities	0.75 - 6.80	-	506,366	601,425	1,942,498	5,052,742	8,103,031	6,180,136
Bank loans of the Group	0.62 - 0.70	24,700	-	-	-	-	24,700	24,700
Corporate bonds	1.55 - 2.98	-	60,877	1,674,480	732,278	-	2,467,635	2,383,920
Balance with a jointly controlled entity - current	5.45 - 5.68	-	17,091	-	-	-	17,091	16,398
		791,764	615,318	2,275,905	2,674,776	6,044,537	12,402,300	9,635,583

	Interest rate %	*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 amounts HK$'000*
2012								
Other payables, accruals and deposits received	-	859,097	-	-	-	-	859,097	859,097
Balance with a joint venture partner - non-current *(note)*	-	-	-	-	-	1,300,215	1,300,215	299,788
Other interest payable	-	1,675	32,774	-	-	-	34,449	34,449
Bank and other loans of jointly controlled entities	0.75 - 7.05	-	655,800	676,271	2,246,056	5,885,312	9,463,439	6,983,399
Bank loans of the Group	0.55 - 3.98	70,800	49,230	49,230	1,262,217	-	1,431,477	1,290,800
Corporate bonds	1.55 - 2.98	-	1,696,732	742,009	-	-	2,438,741	2,415,600
Balance with a jointly controlled entity-non-current	5.99	-	1,082	18,608	-	-	19,690	17,836
Balance with a joint venture partner - current	5.85	-	12,924	-	-	-	12,924	12,200
		931,572	2,448,542	1,486,118	3,508,273	7,185,527	15,560,032	11,913,169

33. Financial Instruments (continued)

(b) Financial risk management objectives (continued)

(iv) Liquidity risk management (continued)

The Company

	Interest rate %	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 amounts HK$'000
2011								
Other payables and accruals	-	4,417	-	-	-	-	4,417	4,417
Other interest payable	-	-	24,276	-	-	-	24,276	24,276
Amounts due to subsidiaries	-	575	-	-	-	-	575	575
Corporate bonds	1.55 - 2.98	-	60,877	1,674,480	732,278	-	2,467,635	2,383,920
Financial guarantee contracts	-	24,700	-	-	-	-	24,700	-
		29,692	85,153	1,674,480	732,278	-	2,521,603	2,413,188

	Interest rate %	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 amounts HK$'000
2012								
Other payables and accruals	-	7,534	-	-	-	-	7,534	7,534
Other interest payable	-	-	25,322	-	-	-	25,322	25,322
Amounts due to subsidiaries	-	12,846	-	-	-	-	12,846	12,846
Bank loan	3.98	-	49,230	49,230	1,262,217	-	1,360,677	1,220,000
Corporate bonds	1.51 - 2.98	-	1,696,732	742,009	-	-	2,438,741	2,415,600
Financial guarantee contracts	-	70,800	-	-	-	-	70,800	-
		91,180	1,771,284	791,239	1,262,217	-	3,915,920	3,681,302

Note: The repayment of balance with a joint venture partner is subject to the availability of cash flows and consensus of a joint venture partner. Hence, the maturities of the undiscounted cashflows of balance with a joint venture partner are based on the estimated future cash flows of the jointly controlled entity.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subjected to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

33. Financial Instruments (continued)

(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.

Except that the fair values of the non-current asset balance with a jointly controlled entity (with carrying amount of HK$299,848,000 (2011: HK$232,440,000)) and non-current liability balance with a joint venture partner (with carrying amount of HK$299,788,000 (2011: HK$232,381,000)) as at 30 June 2012 were approximately HK$372,198,000 (2011: HK$261,562,000) and HK$372,198,000 (2011: HK$261,562,000), respectively, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortized costs in the consolidated financial statements approximate to their fair values.

34. Total Assets Less Current Liabilities/Net Current Assets

The Group

The Group's total assets less current liabilities as at 30 June 2012 amounted to approximately HK$18,299,828,000 (2011: HK$17,813,434,000). The Group's net current assets as at 30 June 2012 amounted to approximately HK$2,019,804,000 (2011: HK$2,328,083,000).

The Company

The Company's total assets less current liabilities as at 30 June 2012, amounted to approximately HK$8,205,796,000 (2011: HK$8,705,706,000). The Company's net current assets as at 30 June 2012 amounted to approximately HK$3,908,763,000 (2011: HK$4,981,709,000).

35. Particulars of Principal Subsidiaries

The following list contains the particulars of the subsidiaries of the Company at 30 June 2012 and 2011 which principally affect the results, assets or liabilities of the Group as the directors of the Company are of the opinion that a full list of all the subsidiaries would be of excessive length. None of the subsidiaries had issued any debt securities during the year or at the end of the year.

Name of subsidiary	*Place of incorporation*	*Issued and fully paid share*	*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-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

Except HHI Finance Limited, all the above subsidiaries are indirectly held by the Company.

36. Major Non-cash Transactions

During the year ended 30 June 2011 and 30 June 2012, the Group's proportionate share of construction costs incurred by its jointly controlled entities of HK$327,897,000 and HK$417,035,000 respectively had not yet been paid and hence were included in provision, other payables, accruals and deposits received at the end of the reporting period.

During the year ended 30 June 2012, the Group's jointly controlled entities of the Group provided construction service for the toll expressways of HK$1,512,139,000 (2011: HK$1,536,527,000) in return for the concession intangible assets.

37. Operating Leases

The Group as lessee

	2011 HK$'000	2012 HK$'000
Minimum lease payments paid under operating lease for premises during the year	1,445	1,927

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2011 HK$'000	2012 HK$'000
Within one year	–	1,927

Leases are negotiated for a lease term of two years with fixed rentals.

38. Capital Commitments

As at 30 June 2012, the Group had agreed, subject to approval of relevant authorities, to make additional capital contributions to West Route JV for development of Phase II West of approximately RMB402,500,000 (2011: RMB402,500,000).

As at 30 June 2012, the Group had no outstanding commitments to make capital contributions to West Route JV for development of Phase III West (2011: approximately RMB484,000,000).

As at 30 June 2012, GS Superhighway JV and West Route JV had outstanding commitments 48% and 50% proportionately shared by the Group respectively in respect of the acquisition of property and equipment, and construction of Phase III West contracted but not provided for totalling approximately HK$511,068,000 (2011: HK$1,098,579,000).

39. Pledge of Assets

As at 30 June 2012, certain assets of the Group's jointly controlled entities were pledged to banks to secure banking facilities granted to the jointly controlled entities. The carrying amounts of these assets proportionately shared by the Group are analyzed as follows:

	2011 HK$'000	2012 HK$'000
Concession intangible assets	7,315,492	7,315,709
Property and equipment	188,402	250,553
Inventories	2,159	2,322
Interest and other receivables, and deposits and prepayments	57,064	68,052
Bank balances and deposits	294,836	344,134
	7,857,953	7,980,770

In addition to the above, 100% of the toll collection rights of GS Superhighway and Phase II West, and 53.4% of the toll collection right of Phase I West were pledged to banks to secure banking facilities granted to the respective jointly controlled entities.

40. Related Party Transactions

Amounts due to and from related parties are disclosed in the consolidated statement of financial position and relevant notes. During the year ended 30 June 2012, the Group paid rentals, air-conditioning, management fee and car parking charges to fellow subsidiaries amounting to approximately HK$2,662,000 (2011: HK$1,835,000).

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*	*2011 HK$'000*	***2012 HK$'000***
Joint venture partner of the GS Superhighway JV	Reimbursement of operating expenses	2,050	2,376
	Dividend paid and payable	700,461	1,434,680
Joint venture partner of the West Route JV	Interest paid and payable	-	48

The registered capital amounting to HK$702,000,000 previously injected by a subsidiary of the Company to GS Superhighway JV was repaid by GS Superhighway JV during the year ended 30 June 2008. According to the Law of the PRC on Chinese-foreign Contractual Joint Venture, in relation to the repayment of registered capital before the expiry of the joint venture operation period, the subsidiary of the Company, as the foreign joint venture partner, is required to undertake the financial obligations of GS Superhighway JV to the extent of HK$702,000,000 when GS Superhighway JV fails to meet its financial obligations during the joint venture operation period.

Compensation of key management personnel

The remuneration of key management personnel who are all directors of the Company is disclosed in note 10.

41. Guarantee

As at 30 June 2012, the revolving credit facilities of the Company's wholly-owned subsidiary in the aggregate amount of HK$550,000,000 (2011: HK$250,000,000) are guaranteed by the Company. The Company controls the utilization of the facilities. As at 30 June 2012, the subsidiary had utilized part of such facilities of HK$70,800,000 (2011: HK$24,700,000).

42. Approval of Financial Statements

The consolidated financial statements on page 87 to 140 were approved and authorized for issue by the Board of Directors on 20 August 2012.

Glossary

"2011 Annual General Meeting"	the annual general meeting of the Company held at Auditorium, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 20 October 2011 at 10:00 a.m.
"2012 Annual General Meeting"	the annual general meeting of the Company to be held at Auditorium, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 18 October 2012 at 10:00 a.m.
"Award Scheme"	the share award scheme adopted by the Board on 25 January 2007
"Board"	the board of Directors
"Coastal Expressway"	Guangzhou-Shenzhen Coastal Expressway
"Company" or "HHI"	Hopewell Highway Infrastructure Limited
"Director(s)"	director(s) of the Company
"DPS"	Dividend per share
"DTT"	Messrs. Deloitte Touche Tohmatsu
"EBIT"	earnings before interest and tax
"EBITDA"	earnings before interest, tax, depreciation and amortization
"EPS"	earnings per share
"ESW Ring Road"	Guangzhou East-South West Ring Road
"EIT"	Enterprise Income Tax
"FY07"	the financial year ended 30 June 2007
"FY08"	the financial year ended 30 June 2008
"FY09"	the financial year ended 30 June 2009
"FY10"	the financial year ended 30 June 2010
"FY11"	the financial year ended 30 June 2011
"FY12"	the financial year ended 30 June 2012
"FY13"	the financial year ending 30 June 2013
"GDP"	Gross Domestic Product
"GPCG"	Guangdong Provincial Communication Group Company Limited
"Group"	the Company and its subsidiaries
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"GS Superhighway JV"	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture company established for the GS Superhighway
"HHI Website"	the website of the Company at http://www.hopewellhighway.com
"HHL"	Hopewell Holdings Limited

Glossary

"HHL Group"	HHL and its subsidiaries
"HHL Shares"	ordinary shares of HK$2.50 each in the capital of HHL
"HK$" or "HK Dollar"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Government"	the Government of Hong Kong
"HZM Bridge"	the Hong Kong-Zhuhai-Macau Bridge
"JCE/JCEs"	the jointly controlled entity/entities
"km"	kilometre
"Lady WU"	Lady WU Ivy Sau Ping KWOK
"Listing Rules"	The Rules Governing the Listing of Securities on Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Mainland China"	the PRC, excluding Hong Kong and Macau
"MPF Scheme"	the mandatory provident fund scheme set up by the Group
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Nan Yue"	Guangdong Nan Yue Logistics Company Limited
"Phase I West"	Phase I of Western Delta Route
"Phase II West"	Phase II of Western Delta Route
"Phase III West"	Phase III of Western Delta Route
"PRC" or "China"	the People's Republic of China
"PRD"	Pearl River Delta
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Sir Gordon WU"	Sir Gordon Ying Sheung WU
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US" or "USA" or "United States"	the United States of America
"US$" or "US Dollar"	United States Dollars, the lawful currency of the United States
"West Route JV"	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the Western Delta Route
"West Route PRC Partner"	Guangdong Provincial Highway Construction Company Limited
"Western Delta Route"	the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West

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
Mr. Cheng Hui JIA
Mr. Alan Ming Fai TAM
Mr. Philip Tsung Cheng FEI#
Mr. Kojiro NAKAHARA#
Professor Chung Kwong POON GBS, JP#
Mr. Yuk Keung IP#
Mr. Brian David Man Bun LI JP#

* *Also as Alternate Director to Sir Gordon Ying Sheung WU*
\# *Independent Non-Executive Directors*

Audit Committee

Mr. Philip Tsung Cheng FEI
Chairman
Mr. Kojiro NAKAHARA
Mr. Yuk Keung IP
Mr. Brian David Man Bun LI JP

Remuneration Committee

Professor Chung Kwong POON GBS, JP
Chairman
Mr. Alan Chi Hung CHAN
Mr. Yuk Keung IP

Company Secretary

Mr. Richard Cho Wa LAW

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business

Room 63-02, 63rd Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2528 4975
Fax: (852) 2861 0177

Solicitors

Woo, Kwan, Lee & Lo

Auditor

Deloitte Touche Tohmatsu

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (Stock Code: 737)

Principal Bankers+

Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
The Bank of East Asia
BNP Paribas
China CITIC Bank Corporation Limited
China Development Bank
China Everbright Bank Corporation Limited
Guangdong Development Bank Co., Limited
Guangdong Nan Yue Bank Co., Limited
Industrial and Commercial Bank of China Limited
Shenzhen Development Bank Co., Limited
Sumitomo Mitsui Banking Corporation

\+ *names are in alphabetical order*

Cayman Islands Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2529 6087

American Depositary Receipt

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

Investor Relations

Senior Investor Relations Manager
Tel: (852) 2528 4975
Fax: (852) 2529 8602
Email: ir@hopewellhighway.com

Website

www.hopewellhighway.com

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	23 February 2012
Ex-dividend Date	7 March 2012
Closure of Register of Members	9 March 2012
Interim dividend payable *(HK18 cents per share)*	15 March 2012
Final results announcement	20 August 2012
Closure of Register of Members	11 October 2012 to 18 October 2012 *(both days inclusive)*
2012 Annual General Meeting	18 October 2012
Ex-dividend Date	22 October 2012
Closure of Register of Members	25 October 2012
Proposed final dividend payable# *(HK16 cents per share)*	31 October 2012

Subject to approval by shareholders at the 2012 Annual General Meeting to be held on 18 October 2012.

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www.toppanvite.com

HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED

Room 63-02, 63rd Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2528 4975
Fax: (852) 2861 0177
www.hopewellhighway.com

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