



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



2007-2008 Interim Report 中期報告



1993



2007

An aerial photograph of a city, likely Guangzhou, China, showing a large stadium in the foreground, a river, and dense urban development in the background. The image is overlaid with a semi-transparent dark blue box containing text.

Highlights

- Profit attributable to equity holders of the Company rose 103% to HK\$1,383 million or HK46.55 cents per share.
- Interim dividend of HK17 cents per share and special interim dividend of HK7 cents per share.
- Aggregate average daily toll revenue of Guangzhou-Shenzhen Superhighway and Phase I of the Western Delta Route was RMB9.8 million and the average daily traffic rose 5% to 363,500 vehicles.
- A gain of HK\$974 million (before taxation) from the disposal of 45% interest in the Guangzhou East-South-West Ring Road was recorded.
- Net cash on hand (for the Company but excluding jointly controlled entities) of about HK\$6,252 million as at 31st December, 2007.

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GROUP RESULTS

The Board of Directors of Hopewell Highway Infrastructure Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 2007.

For the six months ended 31st December, 2007, the net toll revenue of all tolled expressways proportionately shared by the Group decreased 8% to HK\$924 million from HK\$1,004 million of the last corresponding period, mainly attributable to disposal of the 45% interest in Guangzhou East-South-West Ring Road (“ESW Ring Road”) in September 2007, the adjustment of the profit sharing ratio in the Group’s jointly controlled entity, Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (“GS Superhighway JV”) from 50% to 48% since 1st July, 2007 pursuant to the joint venture contract and the temporary closure of the South bound lanes of Xintang to Dongguan section of Guangzhou-Shenzhen Superhighway (“GS Superhighway”) for maintenance and improvement works since 18th October, 2007 until 10th January, 2008. Of the total toll revenue of the Group, GS Superhighway contributed approximately 91% or HK\$842 million, whereas Phase I of the Western Delta Route (“Phase I West”) and ESW Ring Road contributed approximately 4% or HK\$36 million and 5% or HK\$46 million respectively.

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

	<i>Six months ended 31st December,</i>	
	<i>2006</i> <i>HK\$’ million</i>	<i>2007</i> <i>HK\$’ million</i>
GS Superhighway	877	842
Phase I West	35	36
ESW Ring Road	92	46
	1,004	924

Total expenses for the six months ended 31st December, 2007, including toll operation expenses, depreciation and amortisation charges, and general and administrative expenses increased to HK\$387 million, mainly due to an one-off increase in staff cost provision.

The profit attributable to equity holders of the Company increased 103% to HK\$1,383 million from HK\$682 million of the last corresponding period, mainly due to the disposal of its 45% stake in the ESW Ring Road to the PRC joint venture partner for a consideration of RMB1,712.55 million, resulting in a disposal gain of HK\$974 million (before taxation) and the appreciation of Renminbi, including an exchange gain of HK\$152 million on retranslation of the United States dollar bank loans which represents 74% of the Group’s proportionately shared loans as at 31st December, 2007 borrowed by a PRC jointly controlled entity.

On 16th March, 2007, the PRC promulgated the Law of the PRC Enterprise Income Tax (“New PRC Corporate Income Tax”) which become effective on 1st January, 2008. The tax rate for the Group’s PRC jointly controlled entities would change gradually from 18% to 25% over five years (20% in year 2009, 22% in year 2010, 24% in year 2011 and 25% in year 2012). According to this law, GS Superhighway and Phase I West joint venture companies which are currently entitled to corporate income tax holidays can continue to enjoy the remaining unutilized tax holidays until their respective expiry date. The deferred tax balances have been adjusted to increase the deferred tax expenses.

INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK17 cents per ordinary share in respect of the financial year ending 30th June, 2008 (30th June, 2007: HK15 cents) and a special interim dividend of HK7 cents per ordinary share (30th June, 2007: nil). The interim and special interim dividends will be paid on or about 26th March, 2008 to those shareholders as registered at the close of business on 20th March, 2008.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Monday, 17th March, 2008 to Thursday, 20th March, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend and special interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14th March, 2008.

BUSINESS REVIEW

For the six months ended 31st December, 2007, the aggregate average daily traffic of the Group's expressway project investments, namely GS Superhighway and Phase I West recorded a 5% increase to 363,500 vehicles and their aggregate average daily toll revenue decreased 5% to RMB9.8 million. The total toll revenue in the six months under review amounted to RMB1,806 million. The decrease in toll revenue was mainly attributable to the closure of the South bound lanes of Xintang to Dongguan section of GS Superhighway for maintenance and improvement works since 18th October, 2007. Such works were completed earlier than schedule and the affected section has been re-opened to traffic since 10th January, 2008.

In recent years, although the Central Government has imposed stringent land use approval requirements throughout the Mainland which increase the difficulty in land acquisition and site clearance as well as the time required for handover of land, the construction of Phase II of the Western Delta Route ("Phase II West") is continuously proceeding and the completion is currently planned to be by end of 2009. The preliminary work prior to the application for the project approval of the Phase III of the Western Delta Route ("Phase III West") project is underway.

On 9th August, 2007, the Group entered into an agreement with the PRC partner of the Guangzhou ESW Ring Road Company Limited ("Ring Road JV") for the sale of its entire interest in this company at a consideration of RMB1,712.55 million. The transaction was completed in September 2007, resulting in a disposal gain of HK\$974 million (before taxation).

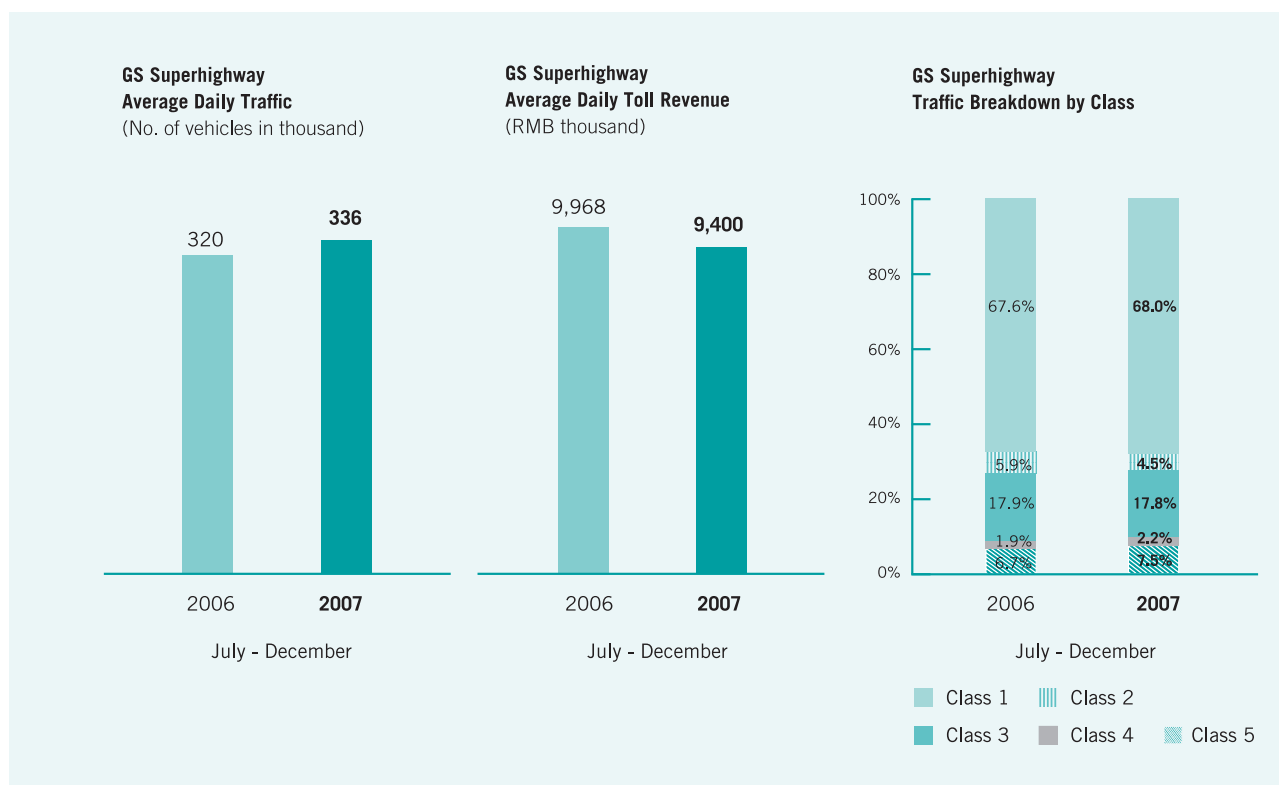
The New PRC Corporate Income Tax has been effective since 1st January, 2008. The new tax rate will gradually increase from the current 18% to the new tax rate of 25% over five years (20% in year 2009, 22% in year 2010, 24% in year 2011 and 25% in year 2012) after 1st January, 2008. According to this law, GS Superhighway and Phase I West joint venture companies which are currently entitled to corporate income tax holidays can continue to enjoy the remaining unutilized tax holidays until their respective expiry date.

Benefiting from the continuous Renminbi appreciation, the GS Superhighway joint venture company has recorded exchange gains on retranslation of the United States dollar bank loans. The Group is in a strong financial position. As at 31st December, 2007, the Group (excluding the jointly controlled entities) has HK\$6,252 million cash on hand and the unutilized bank loan facility is about HK\$3,600 million.

Guangzhou-Shenzhen Superhighway

GS Superhighway is the main artery of Pearl River Delta region's expressway network, connecting four major cities, namely Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, GS Superhighway's average daily traffic rose 5% to 336,000 vehicles as compared with the last corresponding period. Its average daily toll revenue decreased 5% to RMB9.4 million. The total toll revenue in the six months under review amounted to RMB1,734 million. The decrease in toll revenue is mainly attributable to the temporary closure of the South bound lanes of the Xintang to Dongguan section for maintenance and improvement works since 18th October, 2007. During such period, the average daily toll revenue decreased about RMB1.7 million compared with the last corresponding period and although the average daily toll revenue decreased about 17%, the daily traffic only fell about 3% indicating that the diverted vehicles returned to GS Superhighway after by-passing the closed section during the period for the maintenance and improvement works. Such works were completed

earlier than schedule and the above affected section has been re-opened to traffic since 10th January, 2008. GS Superhighway JV has commenced similar maintenance and improvement works on the North bound lanes of the Dongguan to Xintang section since 18th February, 2008 and according to the current plan, the works will be completed within this financial year ending 30th June, 2008. The Group believes that such works will be beneficial to the operations of the GS Superhighway in the long term.



In relation to the additional investment of the Company incurred during the construction of the GS Superhighway, GS Superhighway JV had paid RMB725.14 million to a subsidiary of the Company in January 2008.

GS Superhighway continued to maintain its focus on traffic management. During the period under review, resources have been deployed to strengthen the patrol and rescue services and to enhance safety facilities, in order to improve emergency handling efficiency and minimize traffic congestion caused by traffic accidents. As a result, the number of fatal in accidents had been reduced in 2007.

With the continuous economic development of the Guangdong Province and the rapid increase in car ownership, the Group believes that the traffic flow and toll revenue of GS Superhighway will maintain stable growth. To cater for the increasing traffic demand, GS Superhighway JV is actively refining the feasibility study of widening GS Superhighway to total 10 lanes in dual directions.

Pursuant to the joint venture contract, the Group's profit sharing ratio has been adjusted from 50% to 48% since 1st July, 2007.

BUSINESS REVIEW (continued)

Phase I of the Western Delta Route

Phase I West connects to ESW Ring Road in the north, and Shunde's National Highway 105 and Bigui Road in the south. It is currently the only expressway linking Guangzhou and Shunde.

During the past year, as the traffic diversion on Phase I West caused by a parallel-run local toll-free road in Foshan had been stabilized and the ESW Ring Road had become toll-free since mid-September 2007, Phase I West's traffic flow had notably increased and its toll revenue has resumed a growth momentum. During the period under review, Phase I West's average daily traffic increased 2% to 27,500 vehicles and its average daily toll revenue slightly decreased 1% to RMB390,000 as compared with the last corresponding period. The total toll revenue in the six months under review amounted to RMB72 million.



With the increasing number of vehicles using the Phase I West via the toll-free ESW Ring Road, the Group believes that its traffic flow and toll revenue will continue to grow.

Phase II and III of the Western Delta Route

Phase II West is a 46 km expressway with total 6 lanes in dual directions, connecting to Phase I West in the north, and National Highway 105 and a proposed western expressway of Zhongshan in the south. A subsidiary of the Group (the same subsidiary as for Phase I West) owns 50% interest in this project. In recent years, although the Central Government has imposed stringent land use approval requirements throughout the Mainland which increase the difficulty in land acquisition and site clearance as well as the time required for handover of land, the construction of Phase II West is continuously proceeding and the completion is currently planned to be by end of 2009.

Phase III West is an expressway project of approximately 38 km in length connecting the Phase II West in the north to Zhuhai in the south. A subsidiary of the Group (the same subsidiary as for Phase I West) has entered into an agreement with its PRC partner (which is also the PRC partner of Phase I West and Phase II West) for the investment, construction and operation of Phase III West. The preliminary work prior to the application for the approval of the project is underway.

It is expected that upon the completion of Phase II West and Phase III West, the Western Delta Route will link up various major cities including Guangzhou, Foshan, Zhongshan and Zhuhai and will become a strategic route on the western bank of the Pearl River Delta region.

Hong Kong-Zhuhai-Macau Bridge Project

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

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to the equity holders of the Company) were 26% (30th June, 2007: 33%) and nil (30th June, 2007: 13%) respectively. The gearing structure is set out below:

	<i>At 30th June, 2007 HK\$' million</i>	<i>At 31st December, 2007 HK\$' million</i>
Total debt	5,818	4,385
Net debt ^(Note)	1,470	—
Total assets	17,425	16,711
Equity attributable to the equity holders of the Company	10,895	11,679
Total debt/Total assets	33%	26%
Net debt/Equity attributable to the equity holders of the Company	13%	0%

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

The average annual net cash inflow (after payment of dividend to the Company's shareholders and operating expenses of the Company) amounted to approximately HK\$616 million in the past 3 years ended 30th June, 2007, 2006 and 2005. For the period under review, net cash inflow amounted to HK\$2,348 million (of which HK\$1,634 million was from the disposal of the Group's 45% interest in Ring Road JV).

At 31st December, 2007, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to approximately HK\$4,142 million (30th June, 2007: HK\$5,215 million) with the following profile:

- (a) 99.9% (30th June, 2007: 99.9%) was bank loans and 0.1% (30th June, 2007: 0.1%) was other loan; and
- (b) 74% (30th June, 2007: 61%) was denominated in United States dollar, 26% (30th June, 2007: 29%) was denominated in Renminbi and nil (30th June, 2007: 10%) was denominated in Hong Kong dollar.

The net current assets of the Group increased 59% from approximately HK\$3,902 million at 30th June, 2007 to approximately HK\$6,207 million at 31st December, 2007.

In October 2005, the Group obtained a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3,600 million and the facility was undrawn at 30th June and 31st December, 2007.

At 31st December, 2007, the Group's available and undrawn facility and bank balances and cash amounted to approximately HK\$9,852 million (30th June, 2007: HK\$7,504 million). Together with stable cash dividend from the Group's jointly controlled entity, GS Superhighway JV, the Group's funding capabilities have been further strengthened for the planned and potential investment opportunities, including and in particular the Hong Kong-Zhuhai-Macau Bridge project.

Debt Maturity Profile

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 31st December, 2007 as compared to that at 30th June, 2007 is shown as follows:

	<i>At 30th June, 2007</i>	<i>At 31st December, 2007</i>
Repayable within 1 year	4%	6%
Repayable between 1 to 5 years	25%	25%
Repayable beyond 5 years	71%	69%

Other than the above, the Group has no other bank borrowings both at 30th June and 31st December, 2007. Bank borrowings of the jointly controlled entities carry floating interest rates.

Interest Rate and Exchange Rate Exposures

The cash dividends received from the Group's jointly controlled entities are settled in Hong Kong dollar whereas the Group's expenses are mainly in Hong Kong dollar. Substantial portion of bank borrowings of a jointly controlled entity is denominated in United States dollar which generated an exchange gain upon retranslation of such United States dollar bank borrowings. The Group closely monitors its interest rate and foreign exchange exposure, and the use of financial instrument is strictly controlled. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures.

Treasury Policies

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

Capital Commitments

During the six months ended 31st December, 2007, the Group had made capital contribution to Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV"), a jointly controlled entity of the Group, for development of the Phase II West amounting to approximately RMB92 million. At 31st December, 2007, the Group had outstanding commitments to make capital contribution (the total capital being 35% of the total investment) to West Route JV of approximately RMB591 million (30th June, 2007: RMB683 million), which is currently planned to be made before the end of 30th June, 2008.

At 31st December, 2007, the Group had agreed, subject to the approval of the relevant authorities, to make capital contribution (the total capital being 35% of the total investment) to West Route JV for development of the Phase III West of approximately RMB571 million (30th June, 2007: RMB571 million). It is currently planned that such capital contribution will be made before the end of 30th June, 2009, 30th June, 2010 and 30th June, 2011 in the proportions of 20%, 40% and 40% respectively.

FINANCIAL REVIEW (continued)

At 31st December, 2007, GS Superhighway JV and West Route JV had outstanding commitments proportionately shared by the Group in respect of acquisition of property and equipment, and construction of the Phase II West contracted but not provided for totaling approximately HK\$2,116 million (30th June, 2007: HK\$1,426 million for GS Superhighway JV, Ring Road JV and West Route JV).

Charges on Assets

At 31st December, 2007, certain assets of the jointly controlled entities of the Group were pledged to banks to secure general banking facilities granted to the jointly controlled entities. The carrying amounts of these assets are analysed as follows:

	<i>At 30th June, 2007 HK\$' million</i>	<i>At 31st December, 2007 HK\$' million</i>
Toll expressways	6,973	6,860
Prepaid lease payments	85	87
Bank balances and deposits	393	127
Other assets	231	316
	7,682	7,390

At 30th June, 2007, the toll collection right of GS Superhighway JV, 65% of the toll collection right of Phase I West and 90% of the toll collection right of Ring Road JV were pledged to banks to secure general banking facilities granted to the respective jointly controlled entity. At 31st December, 2007, the toll collection right of GS Superhighway JV, 65% of the toll collection right of Phase I West and 100% of the toll collection right of Phase II West of West Route JV were pledged to banks to secure general banking facilities granted to the respective jointly controlled entity.

Contingent Liabilities

At 31st December, 2007, there was no material contingent liabilities for the Group since 30th June, 2007.

Material Acquisition or Disposal

During the six months ended 31st December, 2007, the Group entered into an agreement with the PRC joint venture partner of Ring Road JV pursuant to which the Group agreed to sell, and this PRC joint venture partner agreed to purchase, the entire 45% interest of the Group in Ring Road JV and other rights, duties and obligations in the ESW Ring Road project for a consideration of RMB1,712.55 million.

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

OTHER INFORMATION

Review of Interim Results

The unaudited interim results of the Group for the six months ended 31st December, 2007 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December, 2007, the interests and short positions of the Directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”) were as follows:

(A) the Company⁽ⁱ⁾

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

Notes:

- (i) All interests in the shares of the Company were long positions. None of the Directors or chief executives held any short position in the shares of the Company.
- (ii) The corporate interests were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The other interests in 3,068,000 shares represented the interests held jointly by Sir Gordon Ying Sheung WU (“Sir Gordon WU”) and his wife Lady Ivy Sau Ping KWOK WU (“Lady Ivy WU”).
- (iv) The interests in awarded shares represented interests of awarded shares granted to Directors under the Employees’ Share Award Scheme of the Company adopted on 25th January, 2007 but not yet vested, details of which are set out below:

Directors	Date of award	No. of awarded shares	Vesting date
Alan Chi Hung CHAN	25/01/2007	140,000	25/01/2008
		140,000	25/01/2009
Leo Kwok Kee LEUNG	25/01/2007	100,000	25/01/2008
		100,000	25/01/2009
Cheng Hui JIA	25/01/2007	100,000	25/01/2008
		100,000	25/01/2009

OTHER INFORMATION (continued)

(B) Associated Corporation Hopewell Holdings Limited (“HHL”)

Directors	HHL shares				HHL Share options ⁽ⁱⁱⁱ⁾	Awarded shares ^(iv)	Total Interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱ⁾ (interests of controlled corporation)	Other Interests				
Gordon Ying Sheung WU	74,683,032	21,910,000	111,250,000	30,680,000 ⁽ⁱⁱ⁾	—	—	238,523,032	26.49%
Eddie Ping Chang HO	25,023,462	1,365,538	2,050,000	—	—	—	28,439,000	3.16%
Thomas Jefferson WU	27,840,000	—	820,000	—	—	—	28,660,000	3.18%
Alan Chi Hung CHAN	585,000	—	—	—	—	—	585,000	0.06%
Lee Yick NAM	90,000	—	—	—	—	—	90,000	0.01%
Kojiro NAKAHARA	10,671	—	—	—	—	—	10,671	0.00%
Cheng Hui JIA	241,000	—	—	—	—	—	241,000	0.03%
Barry Chung Tat MOK	200,000	—	—	—	2,000,000	100,000	2,300,000	0.26%

Notes:

- (i) The corporate interests of HHL Shares were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (ii) The other interests in 30,680,000 HHL Shares represented the interest held by Sir Gordon WU jointly with Lady Ivy WU.
- (iii) The interests in HHL share options represented HHL share options granted under the share option scheme of HHL adopted on 1st November, 2003 to subscribe for HHL Shares, details of which are set out below:

Director	Date of grant	Exercise price per share HK\$	Number of outstanding options	Exercise period
Barry Chung Tat MOK	02/09/2005	19.94	2,000,000	02/03/2006–01/03/2009

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

Director	Date of award	No. of awarded shares	Vesting date
Barry Chung Tat MOK	25/01/2007	50,000	25/01/2008
		50,000	25/01/2009

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

Save as aforesaid, as at 31st December, 2007, 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 16th July, 2003 and approved by shareholders of HHL at an extraordinary general meeting held on 16th July, 2003 (the "Option Scheme"). The Option Scheme will expire on 15th July, 2013.
- (b) Details of the movement of share options under the Option Scheme during the period ended 31st December, 2007 were as follows:

	Date of grant	Exercise price per share HK\$	Number of share options				Outstanding at 31/12/2007	Exercise period	Closing price before date of grant falling within the period HK\$
			Outstanding at 01/07/2007	Granted during the period	Exercised during the period*	Cancelled/lapsed during the period			
Employees	17/10/2006	5.858	6,200,000	—	152,000	—	6,048,000	01/12/2007–30/11/2013	N/A
Employees	19/11/2007	6.746	—	760,000	—	—	760,000	01/12/2008–30/11/2014	6.500
Total			6,200,000	760,000	152,000	—	6,808,000		

* Included 80,000 share options which were exercised in December 2007 but new shares were allotted in January 2008.

The weighted average closing price of the shares on the date immediately before the date on which the options were exercised by the employees during the period was HK\$6.64.

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

Maximum options exercisable	Exercise period
Granted on 17th 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 19th November, 2007	
20% of options granted	01/12/2008–30/11/2009
40%* of options granted	01/12/2009–30/11/2010
60%* of options granted	01/12/2010–30/11/2011
80%* of options granted	01/12/2011–30/11/2012
100%* of options granted	01/12/2012–30/11/2014
* including those not previously exercised	

The fair value of the share options granted during the period with the exercise price per share of HK\$6.746 is estimated at approximately HK\$705,000 at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$6.55 per share at the grant date, the historical volatility of share price of the Company of 23.83% which is based on 5

OTHER INFORMATION (continued)

years weekly historical volatility of the Company's share price from the date of listing to 19th November, 2007, expected life of options of 7.03 years, expected dividend yield of 5.78%, and the risk-free rate of 3.33% with reference to the rate on the 7-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded option. Such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Binomial option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Share Awards of the Company

- (a) The Share Award Scheme (the "Award Scheme") was adopted by the Board on 25th January, 2007 ("Adoption Date"). Unless terminated earlier by the Board, the Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the Adoption Date. A summary of some of the principal terms of the Award Scheme is set out in (b) below.
- (b) The purpose of the Award Scheme is to recognize the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentive in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Under the Award Scheme, the Board (or where the relevant selected employee is a director of the Company, the Remuneration Committee) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the 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 Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued share capital of the Company as at the date of such grant.
- (c) Details of the movement of share awards under the Award Scheme for the period under review were set out below:

Vesting Date	Outstanding at 01/07/2007	Movements during the period			Outstanding at 31/12/2007
		Awarded	Vested	Lapsed	
<i>Directors</i>					
25/01/2008	340,000	—	—	—	340,000
25/01/2009	340,000	—	—	—	340,000
<i>Employees</i>					
25/01/2008	40,000	—	—	—	40,000
25/01/2009	40,000	—	—	—	40,000
Total	760,000	—	—	—	760,000
Weighted average fair value	HK\$5.94	—	—	—	HK\$5.94

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

Substantial Shareholders

As at 31st December, 2007 to the best knowledge of the Directors, the interests of persons (other than Directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares (corporate interests)	% of issued share capital
Anber Investments Limited	Beneficial owner	2,160,000,000 ^(A)	72.72%
Delta Roads Limited	Interests of controlled corporation	2,160,000,000 ^(A)	72.72%
Dover Hills Investments Limited	Interests of controlled corporation	2,160,000,000 ^(A)	72.72%
Supreme Choice Investments Limited	Interests of controlled corporation	2,160,000,000 ^(A)	72.72%
Hopewell Holdings Limited	Interests of controlled corporation and Beneficial owner ^(B)	2,163,540,500 ^(B)	72.84%

Notes:

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

(B) *3,540,500 shares were held as beneficial owner and the remaining 2,160,000,000 shares were held through interests of controlled corporations referred to in Note (A).*

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 31st December, 2007.

Purchase, Sale or Redemption of Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries of securities of the Company during the six months ended 31st December, 2007.

OTHER INFORMATION (continued)

Employees and Remuneration Policies

As at 31st December, 2007, the Group, excluding the joint venture companies, had a total of 41 full-time employees, with 29 in Hong Kong and 12 in the PRC. The Group continues to provide competitive remuneration packages (including various fringe benefits including medical and personal accident insurance coverage) to employees based on the market practices and individual performance. In order to motivate and retain talent, the Group's remuneration policy is to reward performance. In addition to the contractual bonus and the discretionary bonus which may be granted to the employees based on the individual performance and the Group's performance, the Group has adopted a share option scheme since 2003 and a share award scheme since 2007. The Group has granted share options and share awards to employees to recognize the contributions made by such employees of the Group, to give incentive thereto for retention purpose and to attract suitable personnel for further development of the Group.

During the period under review, the Group organized various staff activities in order to foster staff relations and communication, build up team spirit and recognize the contribution of the employees. Training programs and workshops have also been conducted on an ongoing basis for promoting employees' job knowhow and productivity.

The Company was awarded Caring Company by the Hong Kong Council of Social Service for recognizing its contribution to the community in 2007.

Corporate Governance

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

Model Code for Securities Transactions

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

Disclosure under Chapter 13.18 of the Listing Rules

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

Change of Director

Mr. Yuk Keung IP was appointed an Independent Non-Executive Director and a member of the Audit Committee of the Company and Hopewell Holdings Limited (“HHL”) both with effect from 13th August, 2007. Due to other business commitments, Mr. IP has resigned as independent non-executive director of both the Company and HHL with effect from 29th February, 2008. The Board would like to express appreciation to Mr. IP for his contribution to the Company during his tenure of office.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Chairman

Hong Kong, 28th February, 2008

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED

合和公路基建有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 33, which comprises the condensed consolidated balance sheet of Hopewell Highway Infrastructure Limited as of 31st December, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28th February, 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st December, 2007

	NOTES	Six months ended 31st December, 2006 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Turnover	3	1,004,325	923,520
Other income	4	217,707	343,109
Toll operation expenses		(71,397)	(98,657)
Depreciation and amortisation charges		(187,928)	(206,792)
General and administrative expenses		(51,915)	(81,944)
Finance costs	5	(161,109)	(163,912)
Gain on disposal of a jointly controlled entity	6	—	973,594
Profit before tax		749,683	1,688,918
Income tax expenses	7	(56,126)	(297,444)
Profit for the period	8	693,557	1,391,474
Attributable to:			
Equity holders of the Company		681,747	1,382,830
Minority interests		11,810	8,644
Profit for the period		693,557	1,391,474
Dividends paid	9	504,564	594,065
Earnings per share	10	HK Cents	HK Cents
Basic		22.99	46.55
Diluted		22.98	46.54

CONDENSED CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	NOTES	30th June, 2007 (audited) HK\$'000	31st December, 2007 (unaudited) HK\$'000
ASSETS			
Non-current Assets			
Property and equipment		10,203,577	8,274,692
Additional investment cost in jointly controlled entities		1,705,738	1,130,465
Investment in toll expressway project under development		49,631	50,852
Prepaid lease payments		125,714	128,221
Balances with jointly controlled entities		806,231	258,753
		12,890,891	9,842,983
Current Assets			
Inventories		2,845	3,302
Deposits and prepayments		27,938	40,278
Other receivables		62,944	55,553
Other receivable from a joint venture partner		87,036	—
Balance with a jointly controlled entity		—	382,702
Prepaid lease payments		4,846	5,045
Pledged bank balances and deposits		392,854	127,087
Bank balances and cash			
The Group		3,904,064	6,251,674
Jointly controlled entities		51,121	2,021
		4,533,648	6,867,662
Total Assets		17,424,539	16,710,645

	NOTES	30th June, 2007 (audited) HK\$'000	31st December, 2007 (unaudited) HK\$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	11	297,033	297,040
Share premium and reserves		10,598,062	11,381,555
Equity attributable to equity holders of the Company		10,895,095	11,678,595
Minority interests		44,383	44,914
Total Equity		10,939,478	11,723,509
Non-current Liabilities			
Bank and other loans	12	4,995,287	3,885,706
Balances with joint venture partners		602,564	243,325
Deferred tax liabilities	13	255,308	197,346
		5,853,159	4,326,377
Current Liabilities			
Other payables, accruals and deposits received		257,449	324,539
Bank and other loans	12	219,776	255,803
Other payable to a jointly controlled entity		118,213	—
Other interest payable		7,530	6,760
Tax liabilities		28,934	73,657
		631,902	660,759
Total Liabilities		6,485,061	4,987,136
Total Equity and Liabilities		17,424,539	16,710,645

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2007

Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	PRC statutory reserves HK\$'000	Translation reserve HK\$'000	Shares held for Share Award Scheme HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st July, 2006 (audited)	294,962	7,387,916	94,716	89,834	—	—	—	2,432,751	10,300,179	35,656	10,335,835
Exchange gain on translation of operation outside Hong Kong (recognised directly in equity)	—	—	—	63,651	—	—	—	—	63,651	—	63,651
Profit for the period	—	—	—	—	—	—	—	681,747	681,747	11,810	693,557
Total recognised income for the period	—	—	—	63,651	—	—	—	681,747	745,398	11,810	757,208
Recognition of equity settled share based payments	—	—	—	—	—	516	—	—	516	—	516
Issue of ordinary shares upon exercise of warrants	1,831	74,696	—	—	—	—	—	—	76,527	—	76,527
Issue of ordinary shares upon exercise of share options	10	478	—	—	—	—	—	—	488	—	488
Transfer between reserves	—	—	11,456	—	—	—	—	(11,456)	—	—	—
Final dividend paid for year ended 30th June, 2006	—	—	—	—	—	—	—	(504,564)	(504,564)	—	(504,564)
Dividend paid to a minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	(7,073)	(7,073)
At 31st December, 2006 (unaudited)	296,803	7,463,090	106,172	153,485	—	516	—	2,598,478	10,618,544	40,393	10,658,937
At 1st July, 2007 (audited)	297,033	7,474,073	106,353	201,115	(5,535)	1,743	1,433	2,818,880	10,895,095	44,383	10,939,478
Exchange gain on translation of operation outside Hong Kong (recognised directly in equity)	—	—	—	75,854	—	—	—	—	75,854	—	75,854
Profit for the period	—	—	—	—	—	—	—	1,382,830	1,382,830	8,644	1,391,474
Transfer to profit or loss on disposal of a jointly controlled entity	—	—	—	(76,918)	—	—	—	—	(76,918)	—	(76,918)
Total recognised income and expenses for the period	—	—	—	(1,064)	—	—	—	1,382,830	1,381,766	8,644	1,390,410
Change in profit sharing of a jointly controlled entity	—	—	(4,254)	(3,475)	—	—	—	—	(7,729)	—	(7,729)
Recognition of equity settled share based payments	—	—	—	—	—	1,329	1,778	—	3,107	—	3,107
Issue of ordinary shares upon exercise of share options	7	482	—	—	—	(68)	—	—	421	—	421
Transfer between reserves	—	—	7,411	—	—	—	—	(7,411)	—	—	—
Final dividend paid for year ended 30th June, 2007	—	—	—	—	—	—	—	(594,065)	(594,065)	—	(594,065)
Dividend paid to a minority shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	(8,113)	(8,113)
At 31st December, 2007 (unaudited)	297,040	7,474,555	109,510	196,576	(5,535)	3,004	3,211	3,600,234	11,678,595	44,914	11,723,509

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December, 2007

	<i>Six months ended 31st December,</i>	
	<i>2006</i>	<i>2007</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	885,443	762,568
Net cash from investing activities:		
Net cash flow arising on disposal of a jointly controlled entity	—	1,719,912
Tax paid on disposal of a jointly controlled entity	—	(132,376)
Purchase of property and equipment	(48,370)	(324,369)
Interest received	89,219	127,268
Repayment of loans made to a jointly controlled entity	—	503,312
Advance of loans made to a jointly controlled entity	—	(47,500)
Other investing cashflows	30,967	111
	71,816	1,846,358
Net cash used in financing activities:		
Proceeds from issue of shares	77,015	421
Interest paid	(143,922)	(143,300)
New bank and other loans raised	—	505,056
Repayment of bank and other loans	(187,630)	(95,139)
Dividends paid to:		
— equity holders of the Company	(504,564)	(594,065)
— a minority shareholder of a subsidiary	(7,073)	(8,113)
Repayment of loans made from a joint venture partner	—	(284,075)
(Repayment) advance of loans made by a joint venture partner	(23,255)	62,578
	(789,429)	(556,637)
Net increase in cash and cash equivalents	167,830	2,052,289
Cash and cash equivalents at 1st July	3,384,189	4,322,389
Effect of foreign exchange rate changes	9,009	(4,176)
Effect of change in profit sharing of a jointly controlled entity	—	(15,352)
Cash and cash equivalents at 31st December	3,561,028	6,355,150
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	3,303,731	6,253,695
Pledged bank balances and deposits	257,297	101,455
Cash and cash equivalents at 31st December	3,561,028	6,355,150

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2007

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at initial recognition, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2007.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (the "new IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1st July, 2007.

IAS 1 (Amendment)	Capital disclosures
IFRS 7	Financial instruments: disclosures
IFRIC 10	Interim financial reporting and impairment
IFRIC 11	IFRS 2 — Group and treasury share transactions

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

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

IAS 1 (Revised)	Presentation of financial statements ¹
IAS 23 (Revised)	Borrowing costs ¹
IAS 27 (Revised)	Consolidated and separate financial statements ²
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
IFRS 2 (Amendment)	Vesting conditions and cancellations ¹
IFRS 3 (Revised)	Business combinations ²
IFRS 8	Operating segments ¹
IFRIC 12	Service concession arrangements ³
IFRIC 13	Customer loyalty programmes ⁴
IFRIC 14	IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction ³

1 Effective for annual periods beginning on or after 1st January, 2009

2 Effective for annual periods beginning on or after 1st July, 2009

3 Effective for annual periods beginning on or after 1st January, 2008

4 Effective for annual periods beginning on or after 1st July, 2008

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Except for IFRIC 12 and IFRS 8, the directors anticipate that the application of these new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

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

IFRS 8 "Operating segments" sets out requirements for disclosure of information about an entity's operating segments, its products and services, the geographical areas in which it operates, and its major customers. This standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The directors of the Company are still in the process of assessing the impact of adoption of this standard on the financial statements of the Group. This standard is applicable to the Group and the Group will apply it for the annual periods beginning 1st July, 2009 retrospectively.

3. TURNOVER AND SEGMENT INFORMATION

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

	<i>Six months ended 31st December,</i>	
	<i>2006</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Toll fee income	1,035,454	952,094
Business tax	(31,129)	(28,574)
	1,004,325	923,520

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

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

4. OTHER INCOME

	<i>Six months ended 31st December,</i>	
	<i>2006</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Imputed interest income on interest-free loan made to a jointly controlled entity	10,951	31,011
Interest income from:		
A jointly controlled entity	17,836	9,386
Bank deposits	89,219	127,268
Net exchange gain	85,765	152,482
Rental income	1,503	1,727
Management fee income from jointly controlled entities	1,756	1,255
Others	10,677	19,980
	217,707	343,109

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2007

5. FINANCE COSTS

	<i>Six months ended 31st December,</i>	
	<i>2006</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans	141,735	145,974
Loan made by a joint venture partner	150	—
Other loans wholly repayable within five years	131	—
Imputed interest on:		
Interest-free loan made by joint venture partners	12,663	26,509
Other interest-free loan	147	159
	154,826	172,642
Other financial expenses (note a)	6,283	6,242
	161,109	178,884
Less: Amounts capitalised (note b)	—	(14,972)
	161,109	163,912

Notes:

- (a) Other financial expenses mainly represent the amortisation of the up-front fees and related charges in connection with the revolving credit and term loan facilities in the aggregate amount of HK\$3,600,000,000 offered to the Group by a syndicate of banks which is available for the period of 5 years commencing from 13th October, 2005. At 30th June, 2007 and 31st December, 2007, the Group had not utilised any part of such facilities.
- (b) Borrowing costs capitalised during the period arose on a loan made by a joint venture partner and a bank loan by applying a capitalisation rate of 5.27% per annum to expenditure on qualifying assets.

6. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

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

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

	<i>Six months ended 31st December,</i>	
	<i>2006</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	95,429	45,516
Other income	21,813	24,441
Toll operation expenses	(15,238)	(16,424)
Depreciation	(17,674)	(11,107)
General and administrative expenses	(5,109)	(6,451)
Finance costs	(17,016)	(21,440)
Profit before tax	62,205	14,535
Taxation	(554)	(46,201)
Profit (loss) after tax	61,651	(31,666)

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

	<i>HK\$'000</i>
Net assets disposed of:	
Property and equipment	2,206,616
Other receivables from joint venture partners	237,801
Bank balances and cash	45,995
Other current assets	2,956
Bank loans	(1,419,061)
Balances with joint venture partners	(111,681)
Deferred tax liabilities	(154,859)
Other payables, accruals and deposits received	(21,941)
Other current liabilities	(2,326)
	783,500
Additional investment cost in a jointly controlled entity	231,150
Assignment of balance with a jointly controlled entity	129,806
Assignment of other payable to a jointly controlled entity	(275,225)
Release of translation reserve	(76,918)
	792,313
Gain on disposal	973,594
Total consideration	1,765,907
Satisfied by:	
Cash	1,765,907
Net cash inflow (outflow) arising on disposal:	
Cash consideration	1,765,907
Bank balances and cash disposed of	(45,995)
	1,719,912

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2007

7. INCOME TAX EXPENSES

	Six months ended 31st December,	
	2006	2007
	HK\$'000	HK\$'000
The tax charge (credit) comprises:		
PRC Enterprise Income Tax		
The Group	372	155,305
Jointly controlled entity	49,773	52,065
Deferred taxation (note 13)		
Current period	5,981	(15,450)
Effect of change in tax rate	—	105,524
	56,126	297,444

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

The PRC Enterprise Income Tax charge of the Group represents the provision of the PRC withholding tax on receivable from 廣深珠高速公路有限公司 Guangzhou Shenzhen Zhuhai Superhighway Company Limited (“GS Superhighway JV”), a jointly controlled entity of the Group, amounting to RMB725,140,000 in relation to repayment of additional development expenditure for the construction and development of the toll expressway operated by GS Superhighway JV previously incurred by the Group, amounting to approximately HK\$22,889,000 (six months ended 31st December, 2006: Nil), provision of the PRC withholding tax on disposal of interest in Ring Road JV amounting to approximately HK\$132,376,000 (six months ended 31st December, 2006: Nil) and provision of the PRC withholding tax on income received and receivable from the Group’s jointly controlled entities amounting to approximately HK\$40,000 (six months ended 31st December, 2006: HK\$372,000), which are calculated at the rates prevailing in the PRC.

The PRC Enterprise Income Tax charge of the jointly controlled entity represents the Group’s proportionate share of the provision for the PRC Enterprise Income Tax of GS Superhighway JV, which is calculated at 7.5% (six months ended 31st December, 2006: 7.5%) of the estimated assessable profit for the period.

On 16th 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 will change the tax rate from 18% (including 3% local tax) to 25% for both PRC jointly controlled entities of the Group from 1st January, 2008. On 26th December, 2007, the State Council announced the detailed measures and regulations of the New Law (“Implementation Rules”). The Implementation Rules ratcheted the PRC Enterprise Income Tax 15% rate over five years to 25% for grandfathering of incentives. It has been discussed that grandfathering would apply to both the “2+3” exemption (two year exemption from tax and three years of half the regular tax rate) or “5+5” exemption (five year exemption from tax and five years of half the regular tax rate) and for enterprises enjoying certain geographic incentive rates (often 15%). For those enterprises that paid at this 15% rate, the 15% rate would ratchet up to 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively. The deferred tax balances has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

8. PROFIT FOR THE PERIOD

	<i>Six months ended 31st December,</i>	
	<i>2006</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Amortisation of:		
Additional investment cost in jointly controlled entities	28,711	20,325
Prepaid lease payments	2,435	2,578
Depreciation of:		
Toll expressways	148,869	173,797
Other property and equipment	7,913	10,092
Gain on disposal of property and equipment	(126)	(22)

9. DIVIDENDS

A final dividend of HK20 cents per share (year ended 30th June, 2006: HK17 cents) for the year ended 30th June, 2007 was paid to shareholders on 5th October, 2007.

The directors have declared that an interim dividend and a special interim dividend in respect of the year ending 30th June, 2008 of HK17 cents per share (year ended 30th June, 2007: HK15 cents) and HK7 cents per share (year ended 30th June, 2007: Nil) respectively, totalling approximately HK\$712,915,000 (year ended 30th June, 2007: HK\$445,249,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 20th March, 2008.

10. EARNINGS PER SHARE

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

	<i>Six months ended 31st December,</i>	
	<i>2006</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	681,747	1,382,830
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,965,201,942	2,970,333,326
Effect of dilutive potential ordinary shares:		
Share options	425,068	653,032
Unvested shares awarded	—	517,001
Warrants	942,189	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,966,569,199	2,971,503,359

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2007

11. SHARE CAPITAL

	<i>Number of shares</i>	<i>Nominal amount HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1st July, 2007 and 31st December, 2007	10,000,000,000	1,000,000
Issued and fully paid:		
At 1st July, 2007	2,970,326,283	297,033
Issue of shares upon exercise of share options	72,000	7
At 31st December, 2007	2,970,398,283	297,040

Share Options Scheme

During the period, the Company granted options to certain employees to subscribe for a total of 760,000 ordinary shares in the Company at the subscription price of HK\$6.746 per share.

During the period, the Company issued 72,000 ordinary shares at the subscription price of HK\$5.858 each for a total cash consideration of HK\$421,000 upon the exercise of the options previously granted. These shares rank pari passu in all respects with the existing ordinary shares.

Share Award Scheme

There are no changes during the period in the shares in the Company awarded.

12. BANK AND OTHER LOANS

	<i>30th June, 2007 HK\$'000</i>	<i>31st December, 2007 HK\$'000</i>
Bank loans, secured	5,210,224	4,136,443
Other loan, unsecured	4,839	5,066
	5,215,063	4,141,509
The borrowings are repayable as follows:		
On demand or within one year	219,776	255,803
In the second year	250,057	226,565
In the third to fifth years inclusive	1,028,363	816,500
After five years	3,716,867	2,842,641
	5,215,063	4,141,509
Less: Amounts due for settlement within one year (shown under current liabilities)	(219,776)	(255,803)
Amounts due for settlement after one year	4,995,287	3,885,706

12. BANK AND OTHER LOANS (continued)

Analysis of the borrowings by currency:

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

	At 31st December, 2007			Total HK\$'000
	US\$ loans HK\$'000	HK\$ loans HK\$'000	RMB loans HK\$'000	
Bank loans	3,046,487	—	1,089,956	4,136,443
Other loan	—	—	5,066	5,066
	3,046,487	—	1,095,022	4,141,509

13. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Provisions HK\$'000	Total HK\$'000
At 1st July, 2006	227,449	(34,000)	—	193,449
Exchange adjustments	5,706	(842)	—	4,864
Charge to condensed consolidated income statement for the period	4,950	1,031	—	5,981
At 31st December, 2006	238,105	(33,811)	—	204,294
Exchange adjustments	7,294	(1,052)	—	6,242
Charge to condensed consolidated income statement for the period	9,909	34,863	—	44,772
At 30th June, 2007	255,308	—	—	255,308
Exchange adjustments	6,823	—	—	6,823
Disposal of a jointly controlled entity	(154,859)	—	—	(154,859)
Charge (credit) to condensed consolidated income statement for the period	(9,481)	—	(5,969)	(15,450)
Effect of change in tax rate	105,524	—	—	105,524
At 31st December, 2007	203,315	—	(5,969)	197,346

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2007

14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31st December, 2007 amounted to approximately HK\$16,049,886,000 (30th June, 2007: HK\$16,792,637,000). The Group's net current assets at 31st December, 2007 amounted to approximately HK\$6,206,903,000 (30th June, 2007: HK\$3,901,746,000).

15. CAPITAL COMMITMENTS

At 31st December, 2007, the Group had outstanding commitments to make capital contributions to Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") for development of the Phase II of the Western Delta Route ("Phase II West") of approximately RMB590,768,000 (30th June, 2007: RMB682,570,000).

At 31st December, 2007, the Group had agreed, subject to approval of relevant authorities, to make capital contributions to West Route JV for development of the Phase III of the Western Delta Route of approximately RMB570,500,000 (30th June, 2007: RMB570,500,000).

At 31st December, 2007, GS Superhighway JV and West Route JV had outstanding commitments proportionately shared by the Group in respect of the acquisition of property and equipment, and construction of the Phase II West contracted but not provided for totalling approximately HK\$2,116,049,000 (30th June, 2007: HK\$1,426,000,000 for GS Superhighway JV, Ring Road JV and West Route JV).

16. PLEDGE OF ASSETS

At 31st December, 2007, certain assets of the jointly controlled entities of the Group were pledged to banks to secure general banking facilities granted to the jointly controlled entities. The carrying amounts of these assets are analysed as follows:

	<i>30th June, 2007</i>	<i>31st December, 2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Toll expressways	6,972,866	6,859,262
Prepaid lease payments	84,864	86,623
Bank deposits	392,854	127,087
Other assets	231,238	316,543
	7,681,822	7,389,515

At 30th June, 2007, the toll collection right of GS Superhighway JV, 65% of the toll collection right of Phase I West and 90% of the toll collection right of Ring Road JV were pledged to banks to secure general banking facilities granted to the respective jointly controlled entity. At 31st December, 2007, the toll collection right of GS Superhighway JV, 65% of the toll collection right of Phase I West and 100% of the toll collection right of Phase II West of West Route JV were pledged to banks to secure general banking facilities granted to the respective jointly controlled entity.

17. RELATED PARTY TRANSACTIONS

Amounts due from and to related parties are disclosed in the condensed consolidated balance sheet.

During the six months ended 31st December, 2007, the Group paid rental, air-conditioning, management fee and car parking charges to a fellow subsidiary amounting to approximately HK\$938,000 (six months ended 31st December, 2006: HK\$753,000).

The Group's jointly controlled entities had the following significant transactions with their joint venture partners other than the Group during the six months ended 31st December, 2007:

<i>Relationship</i>	<i>Nature of transaction</i>	<i>Six months ended 31st December,</i>	
		<i>2006</i>	<i>2007</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Joint venture partner of GS Superhighway JV	Interest payable	305	—
	Reimbursement of operating expenses	1,867	274
	Dividend paid and payable	843,497	411,824
PRC joint venture partner of Ring Road JV	Management fee paid and payable	2,000	—
	Reimbursement of interest expenses	—	6,290
Foreign joint venture partner of Ring Road JV	Management fee paid and payable	1,000	—
	Reimbursement of interest expenses	17,043	20,361

At 31st December, 2006, the Company and the holding company of the foreign joint venture partner of the Ring Road JV had separately given guarantees to a PRC bank for bank loan facilities of RMB720,500,000 and RMB586,330,000 respectively granted to Ring Road JV. The guarantees were released in June 2007.

CORPORATE INFORMATION AND KEY DATES

Board of Directors

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

[#] *Independent Non-Executive Directors*

Audit Committee

Mr. Lee Yick NAM *Chairman*
Mr. Kojiro NAKAHARA
Mr. Philip Tsung Cheng FEI
Mr. Yuk Keung IP

Remuneration Committee

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

Company Secretary

Mr. Peter Yip Wah LEE

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Wanchai, Hong Kong
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Solicitors

Woo, Kwan, Lee & Lo

Auditors

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

⁺ *names are in alphabetical order*

Cayman Islands Share Registrar and Transfer Office

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P.O. Box 513, Strathvale House
North Church Street, George Town
Grand Cayman, Cayman Islands KY1-1106

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, 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

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Key Dates

Interim results announcement	28th February, 2008
Closure of Register	17th March, 2008 to 20th March, 2008 (both days inclusive)
Interim dividend and special interim dividend payable (HK17 cents and HK7 cents respectively per ordinary share)	26th March, 2008



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