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

2011/12
Interim Report

Stock Code: 737

CONTENTS

Hopewell Highway Infrastructure Limited ("HHI") (stock code: 737), listed on the Stock Exchange since August 2003, builds and operates strategic expressway infrastructure in Guangdong Province. With the strong support and well-established experience of its listed parent company, 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.

GROUP RESULTS

The Board is pleased to announce that the Group's unaudited interim results for the six months ended 31 December 2011 were as follows:

	Six months ended 31 December					
	2010			2011		
	Net toll revenue HK$ million	EBIT HK$ million	Results HK$ million	**Net toll revenue HK$ million**	**EBIT HK$ million**	**Results HK$ million**
Project contributions:						
GS Superhighway (Note 1)	1,002	676	478	**1,070**	**750**	**519**
Phase I West	49	34	24	**46**	**29**	**20**
Phase II West	71	38	(27)	**108**	**59**	**(23)**
Net toll revenue/EBIT/Net profit of projects	1,122	748	475	**1,224**	**838**	**516**
Year-on-year change				+9%	+12%	+9%
Corporate results:						
Interest income			35			**71**
Management fee income from jointly controlled entities			1			**1**
General and administrative expenses			(22)			**(27)**
Finance costs			(26)			**(32)**
Income tax expenses			(1)			**(5)**
			(13)			**8**
Net exchange gain, net of income tax expenses			38			**57**
Profit for the period			500			**581**
Portion attributable to non-controlling interests			(9)			**(10)**
Profit attributable to owners of the Company			491			**571**

Note 1: 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 9% to HK$1,224 million during the six months ended 31 December 2011, compared to the figure of HK$1,122 million for the corresponding period in 2010. This was mainly due to increasing car ownership and economic growth in Guangdong Province, a rise in passenger and freight transportation, a surge in the volume of traffic using Phase II West and the 5.4%* appreciation of the RMB during the same period. The Group's toll revenue base has grown consistently since the opening of Phase II West in June 2010. Although the toll revenue of Phase I West declined as a result of truck restriction measures imposed on the Guangzhou East-South-West Ring Road, a continuous escalation in the volume of traffic and toll revenue of Phase II West led to a 13% increase in the Group's proportionate share of the aggregate toll revenue attributable to Phase I West and Phase II West. GS Superhighway, Phase I West and Phase II West contributed 87% (or HK$1,070 million), 4% (or HK$46 million) and 9% (or HK$108 million) respectively to the Group's proportionate share of their aggregate net toll revenue.

While depreciation charges of the two JV companies increased in line with the growth in traffic volume as well as the rise in the staff costs, 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 12% period-on-period, from HK$748 million to HK$838 million. This was attributable to their success in controlling overheads and a reduction in expenditure on non-recurring repairs and improvement works by the GS Superhighway JV during the period under review.

Taking into account a rise in the Enterprise Income Tax ("EIT") rate for the GS Superhighway JV from 22% in 2010 to 24% in 2011 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 at 9% from HK$475 million to HK$516 million period-on-period.

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 payment) (i.e. 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 (before repayment of principal of bank loans) has been recorded. The continuous growth in Phase II West's toll revenue resulted in an improvement from a net loss of HK$27 million to a net loss of HK$23 million.

*Note: *Representing the average appreciation of RMB against HKD for the period under review as compared with the corresponding 6-month period.*

The profit attributable to owners of the Company increased by 16% from HK$491 million to HK$571 million. This was mainly due to (i) an increase in net toll revenue; (ii) reduction in expenses for non-recurring repairs and improvement works; (iii) an increase in the interest income derived from the Group's shareholder's loan to Phase III West and bank deposit balances (excluding those of the JV companies) as a result of the higher interest rate; and (iv) a net exchange gain on the GS Superhighway JV's loans denominated in US Dollars and HK Dollars. These factors offset the increased staff costs of the two JV companies, higher depreciation charges, a gradual increase in the EIT tax rate for the GS Superhighway JV, increased finance costs as a result of the rise in PRC bank loan interest rates, a rise in the Group's general and administrative expenses, and an increase in the finance costs attributable to the two RMB corporate bonds with a total amount of RMB1.98 billion.

Consolidated Statement of Comprehensive Income

During the six months ended 31 December 2011, the Group's consolidated operating, general and administrative expenses decreased by 2% from HK$192 million to HK$189 million, compared to the corresponding period of the previous year. This was mainly attributable to savings in the overheads of the two JV companies and a reduction in expenses for non-recurring repairs and improvement works for GS Superhighway; however, this was partly offset by increased staff costs.

The increase in consolidated depreciation and amortization charges, from HK$206 million to HK$240 million period-on-period, was mainly the result of a surge in Phase II West's average daily traffic.

The total amount of the Group's consolidated finance costs rose by 12%, from HK$121 million to HK$135 million. The principal factors for this increase were a rise in the market interest rate in the PRC (the People's Bank of China's borrowing rate for loans with a tenor over five years stood at 7.05% as of 31 December 2011) and the two RMB corporate bonds, with a total amount of RMB1.98 billion, which were issued in July 2010 and May 2011.

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 will increase gradually to 25%. The rate applicable to the GS Superhighway rose from 22% in 2010 to 24% in 2011, while the rate applicable to Phase I West increased from 11% in 2010 to 24% in 2011. 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 period 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 of the West Route JV.

DIVIDEND AND CLOSURE OF REGISTER

Dividend

The Board has declared an interim dividend of HK18 cents per share in respect of the financial year ending 30 June 2012 (30 June 2011: HK16 cents). This represents a payout ratio of 93% of the Company's profit attributable to owners of the Company. The interim dividend will be paid on 15 March 2012 to shareholders whose name appear on the Company's Register of Members at the close of business on 9 March 2012.

Closure of Register

To ascertain shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Friday, 9 March 2012, on which date no transfer of shares will be effected. To qualify for the interim 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 Thursday, 8 March 2012.

BUSINESS REVIEW

Business Performance

Despite the market's ongoing concerns about the European sovereign debt crisis and a slowdown in the global economy, which in turn restrained the growth of China's exports, Guangdong Province's GDP still increased by 10.0% in 2011, and the total value of its trade grew by 16.4%. Both its import and export trades reached historically high levels. This stable economic environment formed the backdrop for the steady growth in the operating performance of the Group's toll roads.

The volume of car sales remained high throughout China during 2011, with more than 18.5 million vehicles sold. For the third consecutive years, the country maintained its position as the world's largest market in terms of domestic vehicle sales. Guangdong's four wealthiest municipalities – Guangzhou, Shenzhen, Foshan and Dongguan – topped the province's league in terms of car ownership. According to the media reports, Shenzhen currently has more than two million registered vehicles, placing it in No. 1 position. Guangzhou has close to two million vehicles, while Dongguan and Foshan each has more than one million. The number of Class 1 small cars using the Group's toll roads in the PRD and the toll revenue derived from them continued to increase in line with the growth in car ownership; and this trend has laid strong foundations for their prosperous future.

During the period under review, aggregate average daily traffic volume on the GS Superhighway, Phase I West and Phase II West increased by 8% to 500,000 vehicles. Meanwhile, their aggregate average daily toll revenue increased by 3% to RMB11.64 million. A total of RMB2,141 million in toll revenue was collected at the three expressways during the period under review.

Financial Year	1H FY11	**1H FY12**	% Change
GS Superhighway (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	389	**405**	4%
Average Daily Toll Revenue (RMB '000)	10,105	**10,219**	1%
Phase I West (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	37	**36**	–1%
Average Daily Toll Revenue (RMB '000)	473	**421**	–11%
Phase II West (at JV company level)			
Average Daily Traffic (No. of vehicles '000)	39	**59**	51%
Average Daily Toll Revenue (RMB '000)	686	**995**	45%

Class 1 small car traffic on the GS Superhighway continued to grow strongly. Both the traffic volume and toll revenue of Class 1 small cars increased to historically high levels during the period under review. On the other hand, overall traffic on certain sections of it, especially Class 4 and Class 5 commercial trucks was affected when National Highway 107 became toll free in April 2011. During the period under review, Class 1 small cars have accounted for 75.8% of its total volume of traffic.

The traffic volume and toll revenue of Phase II West have both risen continuously since it opened in June 2010. During the six months ended 31 December 2011, its traffic and toll revenue increased 51% and 45% respectively. The portion of the Group's proportionately shared total toll revenue derived from Phase I West and Phase II West has risen to 13%, compared to 11% during the same period in FY11.

Expansion and Improvement Works

To develop efficient and safe expressways that deliver high-quality services, the Group has been proactively monitoring the traffic flow on its expressways; and it has expanded busier sections and toll stations.

The widening of the busier 3.5-kilometre road section between the Wudianmei and Taiping interchanges from 6 to 10 lanes in dual directions was completed in June 2011. The flow of traffic along this section during peak hours has since become smoother and there has been a significant decline in the number of traffic accidents. The travelling speed of vehicles passing through the section has increased, and the number of vehicles passing through the widened section and between the nearby interchanges has risen.

In September 2011, the GS Superhighway JV also started widening another busier section near Shenzhen Baoan International Airport and the connection to Jihe Expressway. This involves expanding the approximately two-kilometre section between the Hezhou and Fuyong interchanges from 8 to 10 lanes in dual directions. The project will help to relieve the traffic pressure of this section and maintain a smoother flow of traffic to cater for the continuous increase in freight and passenger traffic to and fro Shenzhen Baoan International Airport. The widening works on the northbound section were completed in January 2012 and the southbound section is planned to be completed in the second quarter of 2012.

Enhancing Operational Efficiency and Controlling Operating Expenses

The JV companies have installed automated equipment to help cope with the increasing volume of traffic, control operating costs, and raise operational efficiency. More automatic card-issuing lanes and electronic toll collection (ETC) lanes were opened during the period under review. At present, automatic card-issuing machines are in operation at around one-third of the total entry lanes on the GS Superhighway. This has helped to keep the required number of toll collection staff at a reasonable level. Furthermore, 31 extra ETC lanes were installed at expressway entrances and exits during the period under review, in order to reduce the average length of time vehicles spend there. As of 20 February 2012, there are 68 ETC lanes on the GS Superhighway. That gives the GS Superhighway the highest number of ETC lanes on any expressway in Guangdong. The usage number of ETC lanes also grew significantly during the period under review, in line with a continuous increase in the number of Guangdong Unitoll Card users, which now stands at around 1.5 million, according to media reports.

Project Development

The opening of Phase III West will complete the Western Delta Route, which will become the most direct expressway link between the downtown areas of Guangzhou and Zhuhai. It will also halve the travelling time between Guangzhou and Zhuhai from two hours at present to around one hour. Furthermore, it will considerably expand the Group's revenue base.

Construction of Phase III West has been progressing smoothly. All the land needed for it had been acquired and over 60% of the construction works have been completed. Funding for the project has been adequately prepared for. The Group will endeavour to speed up the remaining construction work to ensure that Phase III West is completed in the first quarter of 2013, earlier than scheduled.

Operating Environment

In June 2011, the Ministry of Transport, National Development and Reform Commission, Ministry of Finance, Ministry of Supervision and State Council Office for Correcting Malpractice decided to launch a joint one-year national campaign to promote the healthy development of the toll road industry. Guangdong's infrastructure, which plays a fundamental and significant role in its economic development, will thus be upgraded. The Group received in February 2012 from Guangdong Provincial Highway Construction Company Limited, our JV partner, a notice concerning the promulgation of the Guangdong Province Toll Roads Special Clean-up Implementation Proposal ("the Tariff Proposal").

As of 23 February 2012, there have been no changes to the toll rates of the Group's expressways and it remains uncertain if the Tariff Proposal will be implemented. The Group will closely monitor the matters and actively negotiate with the relevant PRC authorities. Further details will be announced when progress is made.

41 kilometres of the 59-kilometre Guangzhou-Dongguan section of the Coastal Expressway were opened in mid January 2012. According to the latest media reports, the remaining part of this section will be opened by the end of year 2012, and the 30-kilometre Shenzhen section is rescheduled for completion by mid 2013. As the second half of January 2012 is the Lunar New Year holidays, the impact to the traffic of GS Superhighway due to the opening of this 41-kilometre section of the Coastal Expressway is immaterial. The Group will keep on monitoring the situation closely. When one takes into account the travelling distance of and toll paid for the expressways connecting to the Coastal Expressway, the GS Superhighway is competitive. The GS Superhighway links populous downtown areas on both sides of its route, whereas the Coastal Expressway mainly connects the ports along one sector of the eastern shore of the PRD, and most of its traffic may consist of trucks destined for those ports. The Group believes Guangdong Province's robust economic development and the continuous growth in its car ownership figures will continue to boost the demand for passenger and freight transportation. Therefore, the GS Superhighway will retain its leading status as Guangdong's key traffic artery.

There is a common misconception that the travelling distance between Hong Kong and Guangzhou is shorter via the Coastal Expressway than the GS Superhighway. In fact, the Coastal Expressway's length of 89 kilometres refers only to the middle part of the route between Hong Kong and Guangzhou. If one includes the connecting roads at both ends, i.e. the Hong Kong-Shenzhen Western Corridor and the connecting roads to Hong Kong's highway networks and to the Guangzhou Ring Road, the total travelling distances from Hong Kong to Guangzhou via the Coastal Expressway and the GS Superhighway are very similar.

The Transport Department of Hong Kong announced on 13 February 2012 the launch of first phase of Ad-hoc Quotas Trial Scheme for cross-border private cars. Application will start on 30 March 2012 and the first batch of Hong Kong private cars with five seats or less can be driven into Guangdong via Shenzhen Bay Port around the end of April 2012, with a maximum stay of 7 days. The Group expects that this policy will increase cross-border traffic and might benefit the GS Superhighway.

Toll-by-weight is currently under study to be implemented on the expressways located in the Pearl River Delta region. The expressways invested by the Group may be positively affected as the number of overloaded trucks will be reduced.

Group Financing

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

The Group has obtained approval from the relevant PRC authorities to use RMB 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. In view of the credit-tightening policies currently in force in the PRC, the shareholder's loans will help to maintain the progress of Phase III West's construction. As of 31 December 2011, the Group used part of the proceeds of the RMB corporate bonds to inject a total of RMB696 million as registered capital and a total of RMB530 million as shareholder's loans into the West Route JV for the development of Phase III West. When the total targeted amount of RMB1,100 million of shareholder's loans are injected into the West Route JV, the Group's exposure in the Western Delta Route will increase mildly from 18% to 26% of the total investment in the project.

The West Route JV has also applied to increase its project cost and the corresponding registered capital of Phase II West. Its application to do so is currently being processed by the relevant government authorities. Once approved, the Group needs to provide additional registered capital to the West Route JV in respect of Phase II West. As at 31 December 2011, for the purpose of bridging, the GS Superhighway JV advanced a total amount of RMB731 million to the West Route JV in the form of intercompany borrowings in order to settle payments related to the construction of Phase II West since its opening in June 2010, and to make efficient use of the two JV companies' finances. The Group's aforementioned injection of additional registered capital will enable the West Route JV to borrow additional project loans and repay the GS Superhighway JV.

The Group plans to use various forms of leverage whenever it is needed to finance its toll road projects in the PRC. These may include the issuance of more RMB corporate bonds. To reduce the finance costs of JV companies, the Group is also exploring the opportunities for them to issue RMB corporate bonds in Hong Kong to refinance their existing PRC bank loans.

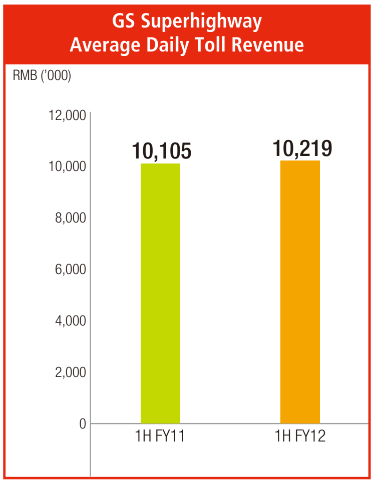
Strengthened Monitoring of Toll Integration

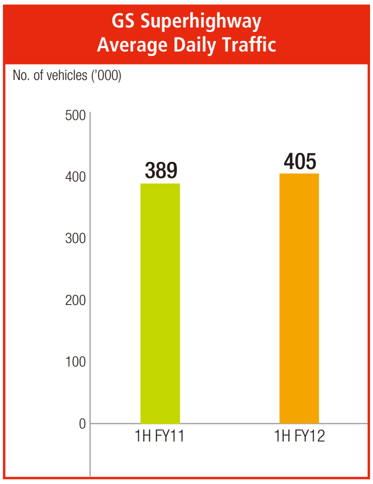
The GS Superhighway, Phase I West and Phase II West have formed parts of Guangdong's toll integration network since 2004 and 2010 respectively. The Group recently entered into a conditional agreement to acquire a 2.4% shareholding in Guangdong Unitoll Collection Incorporated, which operates the clearing house that centralizes and manages data on the daily toll revenues collected by all of the expressways in Guangdong for settlement via its toll integration network. This will enable the Group to communicate better and more closely with Guangdong Unitoll Collection Incorporated for better monitoring of its operations and development plan.

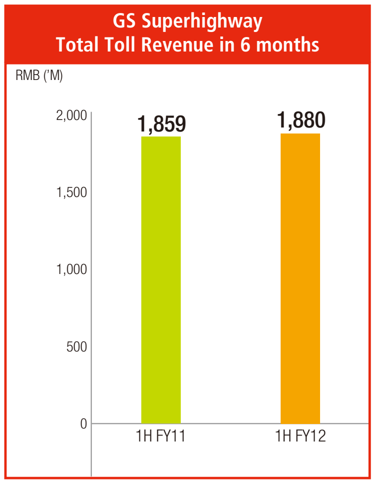
Guangzhou-Shenzhen Superhighway

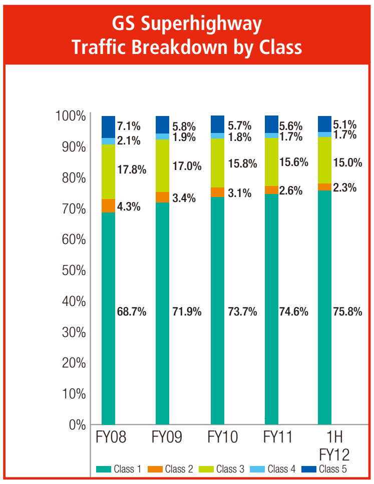
The GS Superhighway is the main expressway connecting the three major cities – Guangzhou, Dongguan and Shenzhen in the PRD region and Hong Kong. Its average daily toll revenue rose by 1% to RMB10.22 million, and its total toll revenue amounted to RMB1,880 million. Meanwhile, its average daily traffic volume increased by 4% to 405,000 vehicles.

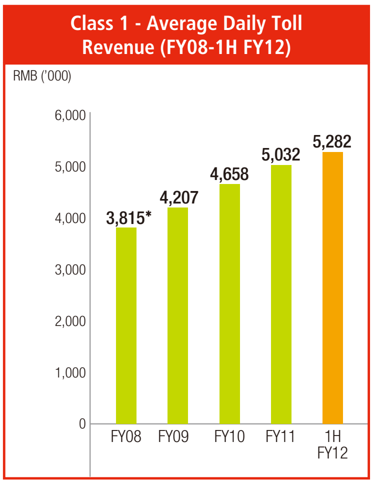
The traffic volume of Class 1 small cars using the GS Superhighway has continued to grow steadily. Both the traffic volume and toll revenue derived from them increased to historically high levels during the period under review, as a result of the growth in car ownership in the PRC.

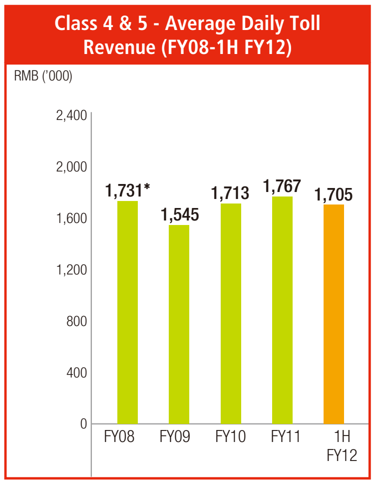












* *A section of GS Superhighway was closed for maintenance in phases between October 2007 and July 2008.*

In April 2011, Shenzhen and Dongguan cities closed all the toll stations on National Highway 107 and made it toll free. As a result, some vehicles (mainly Class 4 and Class 5 commercial trucks) that previously used the GS Superhighway have reverted to using National Highway 107. Thus the toll revenue from Class 4 and Class 5 vehicles dropped slightly. Consequently, Class 1 small cars accounted for 75.8% of the GS Superhighway's total traffic volume during the period under review, and the average toll revenue per vehicle per kilometre declined by 4%, from RMB0.93 to RMB0.89 due to the higher proportion of Class 1 small cars in total traffic.

The GS Superhighway JV has been proactively monitoring the traffic flow along the GS Superhighway and widening the busier sections once obtaining approval from the relevant authorities. The widening of the busier 3.5-kilometre section between the Wudianmei and Taiping interchanges from 6 lanes to 10 lanes in dual directions was completed in June 2011. This has considerably eased traffic pressure on the section during peak hours. In addition, the number of traffic accidents has declined significantly, and the number of vehicles and vehicle speed along that section have increased.

In September 2011, the GS Superhighway JV began widening the busier section near Shenzhen Baoan International Airport and the connection to Jihe Expressway. It involves expanding the approximately two-kilometre section between the Hezhou and Fuyong interchanges from 8 to 10 lanes in dual directions. That will help to ease the traffic pressure on the section and maintain a smoother flow of traffic, thereby catering for the continuously increasing flow of freight and passenger traffic to and fro Shenzhen Baoan International Airport. Widening works on the northbound section were completed in January 2012 and the southbound section is planned to be completed in the second quarter of 2012.

Meanwhile, a study about the feasibility of widening the entire GS Superhighway to a total of 10 lanes in dual directions is still being fine-tuned.

More automatic carding-issuing lanes and ETC lanes have been installed and put into operation on the GS Superhighway in order to cope with the increasing volume of traffic, control operating costs and raise operational efficiency. Around one-third of the total entry lanes have currently been installed with automatic card-issuing machines. In addition, 31 more ETC lanes, with a total of 68 ETC lanes, were opened during the period under review, and the usage rate of such lanes has grown significantly.

Moreover, the GS Superhighway JV has installed weighing equipment at 30 toll lanes to efficiently and effectively identify overloaded green lane trucks that are not entitled to toll exemption. On the other hand, the GS Superhighway JV is actively studying toll-by-weight.

Ensuring the safety of road users has always been the Group's top priority. In January 2012, the GS Superhighway was recommended by the Guangdong Provincial Communications and Transportation Bureau and Traffic Management Department of Guangdong Provincial Public Security Bureau as a model expressway for a joint public campaign to enhance traffic management and safety. Launched on 1 January 2012, the campaign focuses on enhancing the traffic safety, traffic management and service standard of the GS Superhighway, and to present it as a model for all the expressways in Guangdong. The GS Superhighway JV will collaborate with the Traffic Management Department of Guangdong Provincial Public Security Bureau in enhancing various preventive measures aimed at effectively reducing the number of traffic accidents. They will also cooperate more closely to ensure that accidents are handled more speedily and to maintain the smooth flow of traffic on the expressway.

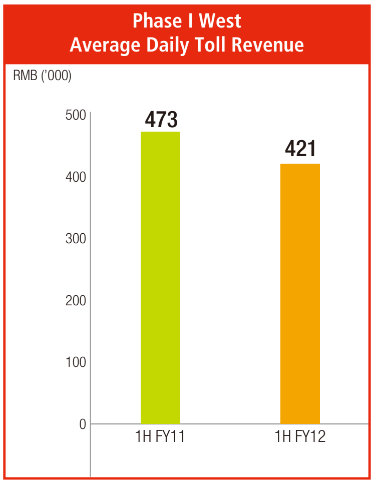
A 41-kilometre section of the 59-kilometre Guangzhou-Dongguan section of the Coastal Expressway was opened in mid January 2012. According to the latest media reports, the rest of the Guangzhou-Dongguan section will be opened by the end of 2012, and the 30-kilometre Shenzhen section is rescheduled for completion by mid 2013. As the second half of January 2012 was the Lunar New Year holidays, the impact to the traffic of the GS Superhighway due to the opening of this 41-kilometre section of the Coastal Expressway was immaterial. The Group will continue to monitor its progress closely.

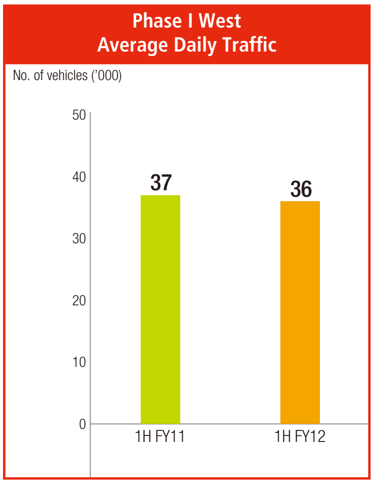
The Guangzhou-Shenzhen section of the Guangzhou-Shenzhen-Hong Kong High Speed Railway commenced operation in December 2011. Even though it provides an alternative route for passengers travelling between Guangzhou and Shenzhen, its operational mode is different to that of the GS Superhighway. Unlike the GS Superhighway, which facilitates all-weather, 24-hour point-to-point freight and passenger transportation, the Guangzhou–Shenzhen–Hong Kong High Speed Railway has fixed timetables to specific destinations. Each of the two modes of transport attracts a different category of travellers, and the Group believes that the inauguration of the High Speed Railway will have a minimal effect on the GS Superhighway.

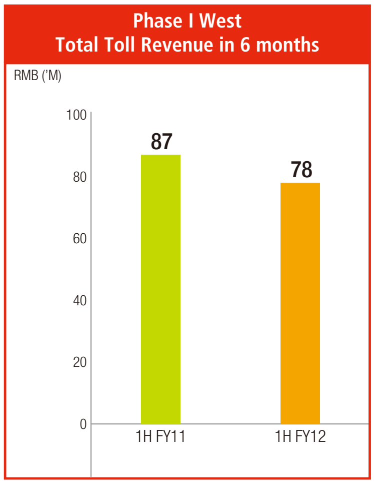
The launching ceremony of the joint public campaign (January 2012)

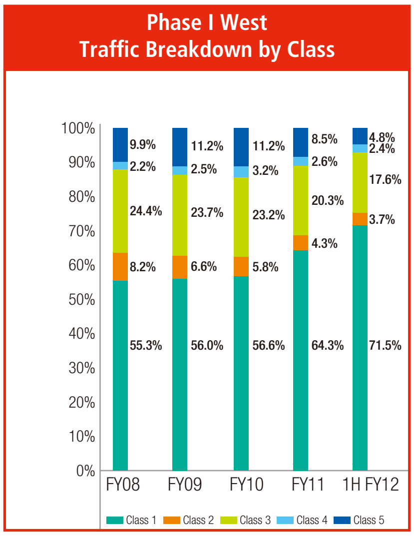
Phase I of the Western Delta Route

Phase I West is 14.7 kilometres long with a total of 6 lanes in dual directions. It connects with the Guangzhou East–South–West Ring Road to the north and Phase II West and National Highway 105 at Shunde to the south. Phase I West and Phase II West have formed the main expressway between Guangzhou and downtown Zhongshan since the latter opened in June 2010. They have reduced the travelling time between the two cities from one hour via local roads to approximately 30 minutes. In addition, Foshan's GDP grew strongly, by 12.1%, during 2011. The area's ongoing economic development will boost the volume of freight and passenger transportation in the area, thus attracting more traffic to Phase I West.







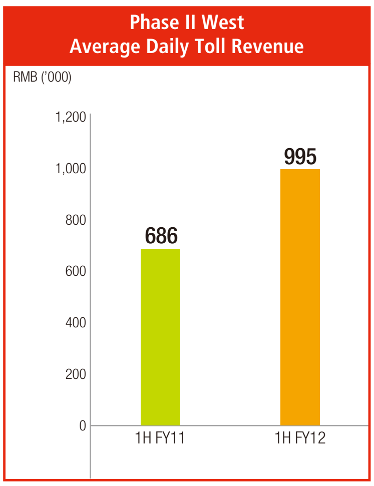


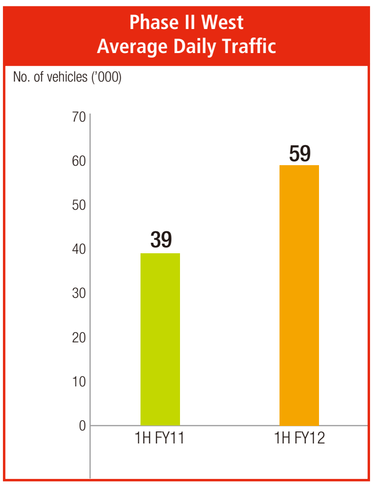
The average daily traffic volume of Phase I West decreased by 1% to 36,000 vehicles during the six months under review, while its average daily toll revenue declined by 11% to RMB421,000. Its total toll revenue for the entire period under review amounted to RMB78 million. The negative figures were due to intensified traffic restriction measures in force to prevent trucks weighing over 15 tons from using Yajisha Bridge on the Guangzhou East-South-West Ring Road since July 2011. The restriction measures have affected the traffic volume and toll revenue of Phase I West. The repair works were completed on 26 December 2011, and the restriction measures were subsequently lifted. The Group believes that Phase I West will regain its growth momentum. In fact, average daily toll revenue and average daily traffic returned to RMB448,000 and 39,000 vehicles during 7-20 February 2012 respectively. Potential traffic restriction measures for trucks weighing over 15 tons on the Guangzhou Ring Road is now under study by the Government of Guangzhou Municipality. The date and details of implementation are to be announced. The Group will monitor the situation and their impact on Phase I West.

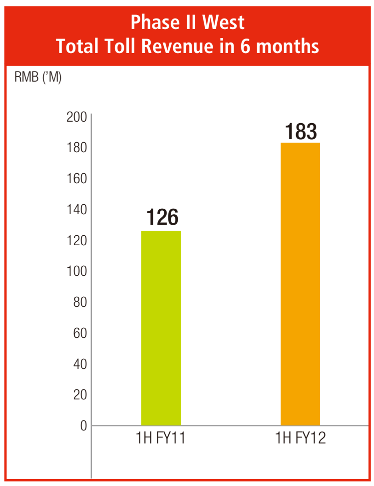
Phase II of the Western Delta Route

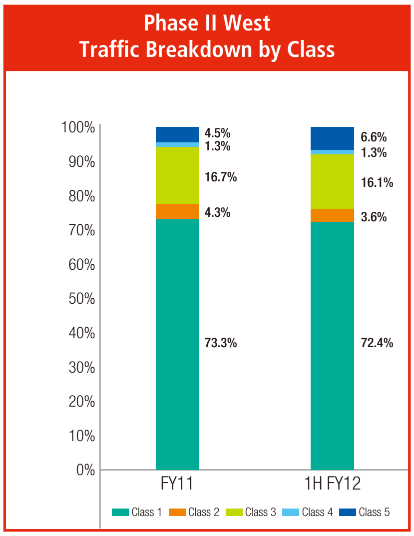
A 45.5-kilometre closed expressway with a total of 6 lanes in dual directions, Phase II West is connected to Phase I West in Shunde to the north and Shaxi in Zhongshan to the south. It is also linked with National Highway 105, Guangzhou Southern Second Ring Road, Jiangmen-Zhongshan Expressway and Xiaolan Highway (currently under construction).

The traffic volume and toll revenue of Phase II West surged continuously since it opened in June 2010. During the period under review, its average daily traffic volume rose by 51% to 59,000 vehicles, while average daily toll revenue grew by 45% to RMB995,000. Its total toll revenue amounted to RMB183 million during the period under review.









Guangzhou Southern Second Ring Road was opened in December 2010. It provides a direct highway connection to Phase II West for vehicles travelling between the Gaoming, Shunde and Nanhai Districts of Foshan, as well as the Panyu District of Guangzhou. The road's opening had a positive effect on the increase of traffic using Phase II West. A connection to Xiaolan Highway, which will be opened in April 2012, will provide a faster link to downtown Zhongshan via the southern end of Phase II West. This will further boost Phase II West's connectivity, and thus enhance its competitive advantages.

The toll revenue of Phase II West during the second half of FY11 achieved the Group's target of operating cash flow breakeven (after taking into account interest expense payment) in its first year of operation, i.e. average daily toll revenue of RMB800,000. Phase II West's toll revenue during that period was therefore sufficient to cover the project's expenses, including its finance costs, and a net cash inflow (after taking into account interest expense payment) was recorded. Phase II West continued to show strong growth in terms of traffic volume and toll revenue during the period under review. This was in line with the economic growth of the surrounding region and the development of a more comprehensive peripheral road network. Although PRC interest rates had risen five times since its opening in June 2010, Phase II West still recorded a net cash inflow (after taking into account interest expense payment) during the period under review. Based on the current strong growth momentum of its business, and even without taking the synergy that will be created by the opening of Phase III West into account, the Group expects Phase II West to achieve a net profit during 2014, with an average daily toll revenue exceeding RMB1.3 million (equal to annual toll revenue of RMB10.5 million per kilometre). The average daily toll revenue of Phase II West during the period under review amounted to RMB995,000, which is equivalent to an annualized toll revenue of RMB8.0 million per kilometre, as compared to Phase I West's annualized toll revenue of RMB10.5 million per kilometre in the same period. The synergy between Phase II West and Phase III West (which is planned to open earlier in the first quarter of 2013) makes the Group optimistic that the former will achieve profit earlier than previously forecasted.

Phase III of the Western Delta Route

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 in 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 expressways connecting to the Hong Kong–Zhuhai–Macau Bridge.

Construction work on Phase III West commenced in December 2009, and it has been advancing smoothly. All of the land required for its construction had been acquired, and more than 60% of the construction works have been completed. The Group will endeavour to speed up its construction to ensure that it is completed ahead of schedule in the first quarter of 2013. The opening of Phase III West will complete the Western Delta Route, the expressway link between the downtown areas of Guangzhou and Zhuhai, and it will halve the journey time between them from approximately two 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 shareholder's loans, registered capital and available banking facilities. As of 31 December 2011, RMB696 million of the RMB980 million of registered capital required for the project had been injected into the West Route JV. The balance of RMB284 million will be injected by the end of FY12. The Group also intends to provide shareholder's loans with a total amount of RMB1,100 million to the West Route JV in order to keep the progress of Phase III West's construction. As of 31 December 2011, shareholder's loans of RMB530 million had already been provided. Given the project is well-funded, the Group is confident that it can be completed in the first quarter of 2013.

Upon completion of Phase III West, the Western Delta Route will become the main artery of a regional expressway network spanning the PRD's western coast. This will link Guangzhou, Foshan, Zhongshan, Zhuhai, Hengqin and Macau. It will also be directly connected with various major expressways along its route, including the Guangzhou Ring Road, Guangzhou–Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan–Jiangmen Expressway and Western Coastal Expressway, as well as an expressway that will link Hengqin (which is currently being developed in Zhuhai) with the Hong Kong–Zhuhai–Macau Bridge. Hengqin will be China's third State-level Strategic New Zone (the others are Shanghai's Pudong District and Tianjin's Binhai area). The state will focus on planning and developing business services, tourism, scientific and advanced technology research and development and other sectors there, which will make it a new growing hub in the regional economy, that will contribute to the flourishing development of the western coast of the PRD and Macau. As a strategic expressway that comprehensively covering the most affluent cities on the PRD's western coast and offering convenient access to Macau and Hong Kong, the Western Delta Route will undoubtedly benefit from the region's prosperity and its huge development potential.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's debt balance consisted of the Company's RMB corporate bonds, which totaled to RMB1.98 billion, the Group's short-term bank loans and its proportionate share of the non-recourse project loans of its PRC JV companies. As at 31 December 2011, its total debt to total assets ratio and gearing ratio (net debt to equity attributable to owners of the Company) were as follows:

	30 June 2011	**31 December 2011**
	HK$ million	**HK$ million**
Total debt		
– Company and subsidiaries (including RMB corporate bonds)	2,409	**2,488**
– JV companies	6,412	**6,837**
Net debt *(Note)*	5,019	**5,745**
Total assets	19,122	**20,130**
Equity attributable to owners of the Company	8,814	**9,064**
Total debt/total assets ratio	46%	**46%**
Gearing ratio	57%	**63%**

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

The Company issued two-year RMB corporate bonds with a total value of RMB1.38 billion on 13 July 2010, thus becoming the first non-financial institution to issue RMB corporate bonds in Hong Kong. These will mature on 13 July 2012. A second tranche of RMB corporate bonds with a total value of RMB600 million issued on 18 May 2011 and with a term of three years will mature on 18 May 2014. The two bonds issues have strengthened the Group's financial position.

Apart from using their proceeds to invest in new projects and as general working capital, the Group has obtained approval from the relevant PRC authorities to use them to finance the development of Phase III West in the form of equity investment amounting to RMB980 million and shareholder's loans totalling RMB1,100 million. The shareholder's loans by the Group to the West Route JV are used to keep the progress of Phase III West at a time when restrictions on credit have been tightened in the PRC. As at 31 December 2011, the Group had contributed a total of RMB696 million of registered capital and advanced shareholder's loans totalling RMB530 million for Phase III West.

The Group is currently exploring opportunities to broaden the financing sources of its PRC JV companies and to lower their finance costs. Since the interest costs of RMB corporate bonds in Hong Kong are currently lower than those bank loans with the same maturity term in the PRC, one possibility is for the JV companies to refinance their existing PRC bank loans by issuing RMB corporate bonds in Hong Kong. The Group might consider to refinance its bank loans for the West Route JV before 2014, thereby making it financially self-sufficient.

The relevant PRC government authorities are currently processing the West Route JV's application to increase its project cost and the corresponding registered capital of Phase II West. The Group cannot arrange to inject any additional registered capital into the West Route JV in respect of Phase II West nor provide it with any additional financing until this application has been approved. To settle payments that are currently due for the construction of Phase II West and use the financial resources of the two JV companies effectively, the GS Superhighway JV has advanced intercompany borrowings to the West Route JV in respect of Phase II West. As at 31 December 2011, the outstanding loans amounted to RMB731 million.

During the period under review, the major source of the Group's cash inflow was the dividends received from the GS Superhighway JV, 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 short-term debt instruments, such as RMB corporate bonds.

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 31 December 2011, the Group's bank balances and cash on hand (excluding JV companies) amounted to RMB2,608 million (30 June 2011: RMB2,856 million), equal to HK$3,216 million (30 June 2011: HK$3,439 million), or HK$1.09 per share (30 June 2011: HK$1.16 per share). The net cash on hand of the Group (excluding JV companies) amounted to RMB590 million or HK$728 million (after netting off the Company's RMB corporate bonds and the Group's short-term bank loan). The Group's bank balances and cash on hand will be sufficient for its remaining capital contributions for Phase III West (RMB284 million), the further injection of shareholder's loans (RMB570 million) for Phase III West, and the repayment of RMB1.38 billion for its corporate bonds due in July 2012.

As at 31 December 2011, 99.9% (30 June 2011: 99.9%) of the Group's bank balances and cash on hand were denominated in RMB and 0.1% (30 June 2011: 0.1%) in HK Dollars. The bank balances and cash on hand of the JV companies proportionately shared by the Group amounted to HK$364 million (30 June 2011: HK$363 million). The Group received cash dividends of HK$487 million, HK$422 million, HK$982 million, HK$1,065 million, HK$614 million and HK$1,048 million from the GS Superhighway JV during the six months ended 31 December 2011 and FY11, FY10, FY09, FY08 and FY07, respectively. The reduction in the cash dividends from the GS Superhighway JV during FY11 was mainly brought about by the intercompany borrowings provided by the GS Superhighway JV to the West Route JV in respect of Phase II West. The cash dividends received and receivable from the GS Superhighway JV make the Group confident that it has sufficient financial resources to cater for its recurring operating activities, as well as its existing and potential investing activities. In anticipation of the full repayment of the existing bank loans of the GS Superhighway JV on schedule in 2019, the cash flow of the GS Superhighway JV, as well as the amount of cash dividends to be received by the Group, will greatly increase thereafter.

The project loans of the JV companies that are proportionately shared by the Group are well covered by the cash flows of those companies. The interest coverage (the ratio of EBITDA to finance costs) of the GS Superhighway JV and the West Route JV (Phase I West and Phase II West) for the six months ended 31 December 2011 was 76 times (six months ended 31 December 2010: 61 times) and one time (six months ended 31 December 2010: three times) respectively.

As at 31 December 2011, the total bank and other borrowings of the JV companies proportionately shared by the Group, together with the RMB corporate bonds raised by the Company and the Group's short-term bank loan, amounted to approximately HK$9,060 million (30 June 2011: HK$8,589 million) with the following profile:

(a) 73% (30 June 2011: 72%) consisted of bank loans and 27% (30 June 2011: 28%) of other loans (including RMB corporate bonds with a total value of RMB1.98 billion); and

(b) 26% (30 June 2011: 29%) was denominated in US Dollars; 71% (30 June 2011: 67%) was denominated in RMB and 3% (30 June 2011: 4%) was denominated in HK Dollar. The increase in the percentage of RMB borrowings was due to the Company's issue of RMB corporate bonds.

The Group's net current assets decreased by 81% from approximately HK$2,328 million as at 30 June 2011 to approximately HK$440 million as at 31 December 2011. The drop is a result of the reclassification of RMB1,380 million corporate bonds (due for repayment in July 2012) from non-current liabilities to current liabilities during the period under review.

Debt Maturity Profile

The maturity profile of the bank and other borrowings of the JV companies proportionately shared by the Group, the RMB corporate bonds raised by the Company, and the Group's short-term bank loan as at 31 December 2011 are shown below, together with the corresponding figures as at 30 June 2011 for comparison:

	30 June 2011		**31 December 2011**	
	HK$ million	%	**HK$ million**	**%**
Repayable within 1 year*	317	4%	**2,098**	**23%**
Repayable between 1 and 5 years#	4,080	47%	**2,528**	**28%**
Repayable beyond 5 years	4,192	49%	**4,434**	**49%**
	8,589	100%	**9,060**	**100%**

* *RMB corporate bonds with a total value of RMB1.38 billion will mature in July 2012.*

\# *RMB corporate bonds with a total value of RMB600 million will mature in May 2014.*

Interest Rate and Exchange Rate Exposure

The Group closely monitors its exposure to interest rates and foreign currency exchange rates and strictly controls its use of financial instruments. At present, neither the Group nor its JV companies have any financial derivative instruments to hedge 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 greater interest income from RMB deposits than HK Dollar deposits. It has therefore increased the ratio of its RMB bank deposits to that of its HK Dollar deposits. The percentage of cash the Group held in RMB bank deposits was maintained at 99.9% as at 30 June 2011 and 31 December 2011. The Group's treasury yield improved to 3.17%, compared to 1.76% during the previous interim period. The Group will continue to strengthen its treasury management and evaluate the options available for improving the yields on its substantial cash-deposit portfolio.

In January 2012, the Group signed a HK$300 million revolving banking facility, providing further financial resources for the development of its projects.

Capital Commitments

As at 31 December 2011, the Group had agreed, subject to the approval by the relevant authorities, to make additional capital contributions of approximately RMB402.5 million (30 June 2011: RMB402.5 million) to the West Route JV for the development of Phase II West. It currently plans to make these capital contributions during FY13.

The Group also had an outstanding commitment to make capital contributions amounting to approximately RMB284 million to the West Route JV for the development of Phase III West (30 June 2011: RMB484 million). It contributed a total of RMB496 million during FY10 and FY11, plus a further RMB200 million during the period under review. The Group will contribute the remaining capital share of RMB284 million for Phase III West's development before the end of FY12.

As at 31 December 2011, 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$1,006 million (30 June 2011: HK$1,099 million).

Pledge of Assets

As at 31 December 2011, the Group's JV companies had 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:

	30 June 2011	**31 December 2011**
	HK$ million	**HK$ million**
Concession intangible assets	7,316	**7,563**
Property and equipment	188	**213**
Inventories	2	**2**
Other receivables and deposits	57	**16**
Bank balances and deposits	295	**291**
	7,858	**8,085**

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 the respective JV companies.

Contingent Liabilities

As at 31 December 2011, 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 six months ended 31 December 2011.

OTHER INFORMATION

Review of Interim Results

The Group's unaudited interim results for the six months ended 31 December 2011 have been reviewed by the Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2011, 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 interests (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

Directors	HHL Shares: Personal interests (held as beneficial owner)	Family interests (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	27.80%
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	3.16%
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 31 December 2011, 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.

(B) Details of the movement of share options under the Option Scheme during the six months ended 31 December 2011 were as follows:

	Date of grant	Exercise price per share HK$	Number of share options: Outstanding at 01/07/2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/12/2011	Exercise period	Closing price before date of grant falling within the period 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 six months ended 31 December 2011.

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 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, 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 was no awarded shares granted or outstanding during the six months ended 31 December 2011 and accordingly no dividend income was received in respect of shares hold upon the trust for the Award Scheme (2010: Nil) during such period.

Substantial Shareholders

As at 31 December 2011, 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	2,083,294,098(i)	70.34%
Delta Roads Limited	Interests of controlled corporation	2,083,294,098(i)	70.34%
Dover Hills Investments Limited	Interests of controlled corporation	2,083,294,098(i)	70.34%
Supreme Choice Investments Limited	Interests of controlled corporation	2,083,294,098(i)	70.34%
Hopewell Holdings Limited	Interests of controlled corporation	2,083,294,098(i)	70.34%

Note:

(i) The 2,083,294,098 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 Choice"), a wholly-owned subsidiary of HHL. The interests of Anber, Delta, Dover, Supreme Choice and HHL in the 2,083,294,098 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 Choice and HHL.

The above interests in the shares of the Company held by the substantial shareholders were long positions.

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 31 December 2011.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2011.

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 31 December 2011, the Group, excluding the joint venture companies, had 35 employees.

In compliance with the Minimum Wage Ordinance, which took effect on 1 May 2011, the Group conducted a full-scale review of the salary packages of its employees and organized briefing sessions for its managers, department heads and other members of staff. These introduced the ordinance and explained its impact on human resources-related policies and practices. As well as offering competitive remuneration packages, the Group is committed to promoting family-friendly employment policies and practices. Besides implementing a five-day working week since March 2010, the Group has arranged stress management workshops and seminars for employees. They 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.

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 them 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.

Corporate Governance

During the period under review, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

In November 2011, Sir Gordon WU was awarded the Most Influential Leader Award of the China Securities Golden Bauhinia Award jointly organized by Tai Kung Pao and authoritative organizations in the securities industry in Hong Kong and Mainland China, as a recognition for his contributions by the PRC government.

Model Code for Securities Transactions

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

Change in Information of Directors

Melco Crown Entertainment Limited ("Melco Crown"), of which Mr. Thomas Jefferson WU ("Mr. WU") is an independent non-executive director, has begun its dual-listing on the Stock Exchange in December 2011. Melco Crown was listed on NASDAQ of USA in 2006. In addition, Mr. WU was appointed as an Honorary President of Hong Kong Ice Hockey Association Limited in November 2011, a director of Asian Youth Orchestra Limited in December 2011 and a member of the Election Committee under Hotel Subsector in February 2012.

Mr. Alan Chi Hung CHAN was appointed as a member of the 7th Tian He District Committee of The Chinese People's Political Consultative Conference in November 2011.

Mr. Yuk Keung IP was appointed as a member of the International Advisory Committee of the University of Macau in October 2011 and the Chairman of Fund Raising Committee of Vocational Training Council in January 2012.

Mr. Brian David Man Bun LI was appointed as the Justice of the Peace and was redesignated as a full member of Treasury Markets Association both in July 2011. He was also appointed as a part-time member of the Government of the Hong Kong Special Administrative Region Central Policy Unit in January 2012.

Save as disclosed above, upon specific enquiry made by the Company and following confirmations from Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 23 February 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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 30 to 41, which comprises the condensed consolidated statement of financial position of Hopewell Highway Infrastructure Limited and its subsidiaries (collectively referred to as the "Group") as of 31 December 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 34 "Interim Financial Reporting" ("IAS 34") 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 inquiries, 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
23 February 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

	NOTES	Six months ended 31 December 2010 (unaudited) HK$'000	Six months ended 31 December **2011** **(unaudited)** **HK$'000**
Toll revenue		1,122,463	**1,224,420**
Revenue on construction		542,643	**1,073,935**
Turnover	*3*	1,665,106	**2,298,355**
Other income	*4*	108,329	**170,527**
Construction costs		(542,643)	**(1,073,935)**
Provision for resurfacing charges		(10,432)	**(12,154)**
Toll expressway operation expenses		(138,128)	**(123,389)**
Depreciation and amortization charges		(206,338)	**(239,546)**
General and administrative expenses		(54,213)	**(65,957)**
Finance costs	*5*	(120,925)	**(134,515)**
Profit before tax		700,756	**819,386**
Income tax expenses	*6*	(200,542)	**(238,535)**
Profit for the period	*7*	500,214	**580,851**
Other comprehensive income for the period:			
Exchange differences arising on translation to presentation currency		238,357	**211,800**
Total comprehensive income for the period		738,571	**792,651**
Profit for the period attributable to:			
Owners of the Company		490,935	**570,886**
Non-controlling interests		9,279	**9,965**
		500,214	**580,851**
Total comprehensive income for the period attributable to:			
Owners of the Company		729,292	**782,686**
Non-controlling interests		9,279	**9,965**
		738,571	**792,651**
		HK Cents	**HK Cents**
Earnings per share	*9*		
Basic		16.58	**19.28**
Diluted		16.58	**19.28**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	NOTES	30 June 2011 (audited) HK$'000	**31 December 2011 (unaudited) HK$'000**
ASSETS			
Non-current Assets			
Property and equipment		325,767	**348,953**
Concession intangible assets		14,337,184	**15,537,682**
Balance with a jointly controlled entity		232,440	**267,025**
Bank deposits		589,960	**234,270**
		15,485,351	**16,387,930**
Current Assets			
Inventories		2,360	**2,323**
Deposits and prepayments		14,214	**11,099**
Interest and other receivables		103,543	**55,389**
Balance with a jointly controlled entity (note (i))		304,367	**327,477**
Pledged bank balances and deposits of jointly controlled entities		294,836	**291,495**
Bank balances and cash			
– The Group		2,848,925	**2,981,479**
– Jointly controlled entities		68,564	**72,862**
		3,636,809	**3,742,124**
Total Assets		19,122,160	**20,130,054**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	*10*	296,169	**296,169**
Share premium and reserves		8,517,986	**8,767,624**
Equity attributable to owners of the Company		8,814,155	**9,063,793**
Non-controlling interests		60,386	**64,954**
Total Equity		8,874,541	**9,128,747**
Non-current Liabilities			
Bank and other loans of jointly controlled entities	*11*	5,888,041	**6,221,742**
Balance with a joint venture partner		232,381	**265,185**
Corporate bonds	*12*	2,383,920	**739,800**
Resurfacing obligations		52,518	**66,749**
Deferred tax liabilities	*13*	382,033	**406,083**
		8,938,893	**7,699,559**
Current Liabilities			
Provision, other payables, accruals and deposits received		831,489	**1,040,593**
Balance with a jointly controlled entity (note (ii))		16,398	**18,026**
Bank loans			
– The Group		24,700	**46,300**
– Jointly controlled entities	*11*	292,095	**350,423**
Corporate bonds	*12*	–	**1,701,540**
Other interest payable		30,984	**40,062**
Tax liabilities		113,060	**104,804**
		1,308,726	**3,301,748**
Total Liabilities		10,247,619	**11,001,307**
Total Equity and Liabilities		19,122,160	**20,130,054**
Cash and cash equivalents represented by:			
Pledged bank balances and deposits of jointly controlled entities		265,940	**261,903**
Bank balances and cash			
– The Group		2,568,007	**2,525,269**
– Jointly controlled entities		68,564	**72,862**
		2,902,511	**2,860,034**

Notes:

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

	30 June 2011 (audited) HK$'000	31 December 2011 (unaudited) HK$'000
Loans from the Group to a jointly controlled entity	608,734	**654,955**
Less: Elimination of the Group's proportionate share of the corresponding amount of the jointly controlled entity	(304,367)	**(327,478)**
	304,367	**327,477**

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

	30 June 2011 (audited) HK$'000	31 December 2011 (unaudited) HK$'000
Loans from a jointly controlled entity to another jointly controlled entity	409,962	**450,661**
Less: Elimination of the Group's proportionate share of the corresponding amounts of the jointly controlled entities	(393,564)	**(432,635)**
	16,398	**18,026**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2011

	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 (audited)	296,169	4,942,924	110,708	298,136	4,636	2,647,578	8,300,151	51,847	8,351,998
Exchange gain on translation to presentation currency	–	–	–	238,357	–	–	238,357	–	238,357
Profit for the period	–	–	–	–	–	490,935	490,935	9,279	500,214
Total comprehensive income for the period	–	–	–	238,357	–	490,935	729,292	9,279	738,571
Recognition of equity-settled share-based payments	–	–	–	–	150	–	150	–	150
Dividends recognized as distribution during the period *(note 8)*	–	–	–	–	–	(444,254)	(444,254)	–	(444,254)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(6,445)	(6,445)
As at 31 December 2010 (unaudited)	296,169	4,942,924	110,708	536,493	4,786	2,694,259	8,585,339	54,681	8,640,020
As at 1 July 2011 (audited)	**296,169**	**4,942,924**	**110,708**	**711,621**	**4,798**	**2,747,935**	**8,814,155**	**60,386**	**8,874,541**
Exchange gain on translation to presentation currency	**–**	**–**	**–**	**211,800**	**–**	**–**	**211,800**	**–**	**211,800**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**570,886**	**570,886**	**9,965**	**580,851**
Total comprehensive income for the period	**–**	**–**	**–**	**211,800**	**–**	**570,886**	**782,686**	**9,965**	**792,651**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**56**	**–**	**56**	**–**	**56**
Forfeiture of vested share options	**–**	**–**	**–**	**–**	**(272)**	**272**	**–**	**–**	**–**
Dividends recognized as distribution during the period *(note 8)*	**–**	**–**	**–**	**–**	**–**	**(533,104)**	**(533,104)**	**–**	**(533,104)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,397)**	**(5,397)**
As at 31 December 2011 (unaudited)	**296,169**	**4,942,924**	**110,708**	**923,421**	**4,582**	**2,785,989**	**9,063,793**	**64,954**	**9,128,747**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2011

	Six months ended 31 December 2010 (unaudited) HK$'000	Six months ended 31 December 2011 (unaudited) HK$'000
NET CASH FROM OPERATING ACTIVITIES	740,202	**849,773**
NET CASH USED IN INVESTING ACTIVITIES:		
Placement of bank deposits	(349,500)	**(85,540)**
Withdrawal of bank deposits	–	**281,797**
Purchase of property and equipment	(24,643)	**(35,828)**
Construction costs paid	(641,718)	**(828,699)**
Interest received	36,016	**75,528**
Advance to a jointly controlled entity *(note (i))*	(95,345)	**(18,495)**
Registered capital contributed into a jointly controlled entity *(note (i))*	(58,950)	**(123,300)**
Advance from a jointly controlled entity to another jointly controlled entity *(note (ii))*	–	**1,233**
	(1,134,140)	**(733,304)**
NET CASH FROM (USED IN) FINANCING ACTIVITIES:		
Interest paid	(101,596)	**(155,308)**
New bank and other loans raised	235,354	**458,800**
Repayment of bank and other loans	(130,059)	**(119,962)**
Proceeds from issuance of corporate bonds	1,582,860	**–**
Dividends paid to:		
– owners of the Company	(444,254)	**(533,104)**
– non-controlling interests of a subsidiary	(6,445)	**(5,397)**
Capital contribution made by a joint venture partner	58,950	**123,300**
Advance from a parent company of a joint venture partner	162,113	**–**
Repayment of loans advanced by a joint venture partner	(254,959)	**–**
	1,101,964	**(231,671)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	708,026	**(115,202)**
CASH AND CASH EQUIVALENTS AT 1 JULY	2,837,505	**2,902,511**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	96,445	**72,725**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	3,641,976	**2,860,034**
REPRESENTED BY:		
Bank balances and cash	3,371,675	**2,598,131**
Pledged bank balances and deposits of jointly controlled entities	270,301	**261,903**
	3,641,976	**2,860,034**

Notes:

(i) The advance to a jointly controlled entity amounting to HK$18,495,000 and the advance of registered capital contributions amounting to HK$123,300,000 represent the loan 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 and RMB200,000,000, respectively, during the six months ended 31 December 2011, 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$1,233,000 represents 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 RMB50,000,000 during the six months ended 31 December 2011 after elimination of the Group's proportionate share of the corresponding amounts of both jointly controlled entities.

1. Basis of Preparation

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

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

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements for the six months ended 31 December 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation issued by the IASB (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 – Transfer of Financial Assets
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IAS 24 (Revised 2009)	Related Party Disclosures

Amendments to IAS 12 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, Hopewell Holdings Limited. 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 period had no material effect on the amounts reported and/or disclosures set out in the Group's condensed consolidated financial statements.

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

IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
IFRS 9	Financial Instruments[1]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
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]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
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[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

2. Principal Accounting Policies *(Continued)*

Except IFRS 11 in which the effect has been described in the Group's annual financial statements for the year ended 30 June 2011, the directors of the Company anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

3. Turnover and Segment Information

Turnover represents the Group's proportionate share of the jointly controlled entities' toll 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:

	Six months ended 31 December	
	2010	**2011**
	HK$'000	**HK$'000**
Toll revenue before business tax	1,158,094	**1,262,073**
Business tax	(35,631)	**(37,653)**
	1,122,463	**1,224,420**
Revenue on construction	542,643	**1,073,935**
	1,665,106	**2,298,355**

The Group's operating segments, based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, are 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.

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

Segment revenue and results

	Six months ended 31 December					
	2010			**2011**		
	Segment revenue HK$'000	Earnings before interest and tax ("EBIT") HK$'000	Segment results HK$'000	**Segment revenue HK$'000**	**EBIT HK$'000**	**Segment results HK$'000**
GS Superhighway	1,002,543	676,240	477,983	**1,069,929**	**749,704**	**519,120**
Phase I West	48,858	33,739	24,501	**45,938**	**28,696**	**19,829**
Phase II West	71,062	38,023	(27,433)	**108,553**	**59,456**	**(23,306)**
Total	1,122,463	748,002	475,051	**1,224,420**	**837,856**	**515,643**
Corporate interest income			34,523			**71,337**
Management fee income from jointly controlled entities			836			**881**
Corporate general and administrative expenses			(22,119)			**(26,852)**
Corporate finance costs			(26,210)			**(32,447)**
Corporate income tax expenses			(639)			**(5,126)**
Net exchange gain, net of related income tax expenses			38,772			**57,415**
Profit for the period			500,214			**580,851**

3. Turnover and Segment Information *(Continued)*

Segment revenue and results *(Continued)*

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 loans made by the Group to a jointly controlled entity), management fee income 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.

Reconciliation from segment revenue to turnover

	Six months ended 31 December	
	2010	**2011**
	HK$'000	**HK$'000**
Segment revenue – net toll revenue	1,122,463	**1,224,420**
Revenue on construction	542,643	**1,073,935**
Turnover	1,665,106	**2,298,355**

4. Other Income

	Six months ended 31 December	
	2010	**2011**
	HK$'000	**HK$'000**
Interest income from:		
Loans made by the Group to a jointly controlled entity	–	**17,294**
Bank deposits	36,016	**55,404**
Imputed interest income on interest-free registered capital contributions made by the Group to a jointly controlled entity	5,324	**7,058**
Net exchange gain	55,115	**75,050**
Rental income	3,763	**2,419**
Management fee income from jointly controlled entities	836	**881**
Advertising income	1,681	**5,063**
Others	5,594	**7,358**
	108,329	**170,527**

5. Finance Costs

	Six months ended 31 December	
	2010	**2011**
	HK$'000	**HK$'000**
Interest on:		
Bank loans	100,688	**121,979**
Loans made by the Group to a jointly controlled entity	–	**8,647**
Corporate bonds	22,373	**30,932**
Loans made by a jointly controlled entity to another jointly controlled entity	–	**476**
Imputed interest on:		
Interest-free registered capital contributions made by a joint venture partner	5,323	**7,057**
Other interest-free loan	216	**243**
	128,600	**169,334**
Other financial expenses	3,810	**1,525**
	132,410	**170,859**
Less: Amounts included in toll expressway construction costs	(11,485)	**(36,344)**
	120,925	**134,515**

6. Income Tax Expenses

	Six months ended 31 December	
	2010	**2011**
	HK$'000	**HK$'000**
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
The Group	19,512	**25,077**
A jointly controlled entity	165,816	**200,947**
Refund of EIT of a jointly controlled entity recognized in prior year	–	**(2,232)**
Deferred taxation	15,214	**14,743**
	200,542	**238,535**

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

The EIT charge of the Group for the six months ended 31 December 2011 included an amount of approximately HK$19,951,000 (six months ended 31 December 2010: HK$18,872,000) representing the withholding tax imposed on dividends declared during the period by a jointly controlled entity of the Group which the corresponding amount had already been provided for deferred tax in prior period in respect of undistributed earnings of PRC jointly controlled entities.

The EIT charge of a jointly controlled entity represents the Group's proportionate share of the provision for the EIT of GS Superhighway JV amounting to approximately HK$200,947,000 (six months ended 31 December 2010: HK$165,816,000), which is calculated at 24% (six months ended 31 December 2010: 22%) of the estimated taxable profit for the period. No provision for the EIT of West Route JV has been made as West Route JV has no assessable profit during both periods presented.

7. Profit for the Period

	Six months ended 31 December	
	2010	**2011**
	HK$'000	**HK$'000**
Profit for the period has been arrived at after charging:		
Amortization of concession intangible assets	184,554	**218,768**
Depreciation of property and equipment	21,784	**20,778**

8. Dividends

	Six months ended 31 December	
	2010	**2011**
	HK$'000	**HK$'000**
Dividends paid and recognized as distribution during the period:		
Final dividend for the year ended 30 June 2011 paid of HK18 cents per share (six months ended 31 December 2010: HK15 cents per share for the year ended 30 June 2010)	444,254	**533,104**

Subsequent to the interim period end, the directors have declared that an interim dividend in respect of the year ending 30 June 2012 of HK18 cents per share (six months ended 31 December 2010: an interim dividend of HK16 cents per share for the year ended 30 June 2011) amounting to approximately HK$533,104,000 (six months ended 31 December 2010: HK$473,870,000) shall be paid to the shareholders of the Company whose names appear on the Register of Members on 9 March 2012.

9. Earnings Per Share

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

	Six months ended 31 December 2010 HK$'000	**2011 HK$'000**
Earnings for the purposes of basic and diluted earnings per share	490,935	**570,886**

	Six months ended 31 December 2010 Number of shares	**2011 Number of shares**
Number of ordinary shares in issue during the period, for the purpose of basic earnings per share	2,961,690,283	**2,961,690,283**
Effect of dilutive potential ordinary shares:		
Share options	15,908	**–**
Number of ordinary shares for the purpose of diluted earnings per share	2,961,706,191	**2,961,690,283**

For the six months ended 31 December 2011, 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 of the shares during the period.

10. Share Capital

	Number of shares	**Nominal amount** HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
As at 1 July 2010, 30 June 2011 and 31 December 2011	10,000,000,000	1,000,000
Issued and fully paid:		
As at 1 July 2010, 30 June 2011 and 31 December 2011	2,961,690,283	296,169

There was no movement of ordinary shares of the Company during both periods presented.

Share Option Scheme

No share option of the Company was granted during both periods presented. During the six months ended 31 December 2011, 288,000 vested share options with exercise price at HK$5.858 were cancelled upon the resignation of staff.

11. Bank and Other Loans of Jointly Controlled Entities

	30 June 2011 HK$'000	**31 December 2011 HK$'000**
Bank loans, secured	6,173,600	**6,565,644**
Other loan, unsecured	6,536	**6,521**
	6,180,136	**6,572,165**
Analyzed for reporting purpose:		
Non-current liabilities	5,888,041	**6,221,742**
Current liabilities	292,095	**350,423**
	6,180,136	**6,572,165**

The bank loans outstanding as at 31 December 2011 carry interest at prevailing commercial lending rate. The effective interest rates for the bank loans for the period were ranged from 0.75% to 7.05% (six months ended 31 December 2010: 0.79% to 5.35%) per annum.

The other loan outstanding as at 31 December 2011 is interest-free and repayable at the end of the operation period of GS Superhighway JV (i.e. June 2027). The effective interest rate adopted for measurement at fair value at initial recognition of this loan is 6.75% per annum.

12. Corporate Bonds

The corporate bonds with principal amounts of RMB1,380,000,000 (approximately HK$1,701,540,000) are due on 13 July 2012 and carry interest at fixed rate of 2.98% per annum. The other corporate bonds with principal amounts of RMB600,000,000 (approximately HK$739,800,000) are due on 18 May 2014 and carry interest at fixed rate of 1.55% per annum. Both corporate bonds are unsecured.

13. Deferred Tax Liabilities

The deferred tax liabilities (assets) are analyzed as follows:

	30 June 2011 HK$'000	**31 December 2011 HK$'000**
Accelerated tax depreciation	255,576	**273,643**
Other deductible temporary differences	(17,762)	**(18,190)**
Resurfacing obligations	(10,960)	**(13,722)**
Undistributed earnings of PRC jointly controlled entities	164,426	**180,079**
Tax loss	(9,247)	**(15,727)**
	382,033	**406,083**

14. Total Assets Less Current Liabilities/Net Current Assets

The Group's total assets less current liabilities as at 31 December 2011 amounting to approximately HK$16,828,306,000 (30 June 2011: HK$17,813,434,000). The Group's net current assets as at 31 December 2011 amounting to approximately HK$440,376,000 (30 June 2011: HK$2,328,083,000).

15. Capital Commitments

As at 31 December 2011, the Group had agreed, subject to approval of relevant authorities, to make additional capital contributions to West Route JV for the development of Phase II West of approximately RMB402,500,000, equivalent to approximately HK$496,282,500 (30 June 2011: RMB402,500,000, equivalent to approximately HK$484,610,000).

As at 31 December 2011, the Group had outstanding commitments to make capital contributions to West Route JV for development of Phase III West of approximately RMB284,000,000, equivalent to approximately HK$350,172,000 (30 June 2011: RMB484,000,000, equivalent to approximately HK$582,736,000).

15. Capital Commitments *(Continued)*

As at 31 December 2011, the Group's proportionate share on the outstanding commitments of GS Superhighway JV and West Route JV in respect of the acquisition of property and equipment, and construction of concession intangible assets contracted but not provided for is approximately RMB816,248,000, equivalent to approximately HK$1,006,434,000 (30 June 2011: RMB912,441,000, equivalent to approximately HK$1,098,579,000).

16. Pledge of Assets

As at 31 December 2011, certain assets of the jointly controlled entities of the Group 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:

	30 June 2011 HK$'000	**31 December 2011 HK$'000**
Concession intangible assets	7,315,492	**7,562,994**
Property and equipment	188,402	**213,062**
Bank balances and deposits	294,836	**291,495**
Inventories	2,159	**2,219**
Interest and other receivables, and deposits and prepayments	57,064	**15,503**
	7,857,953	**8,085,273**

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

17. Related Party Transactions

Amounts due from and to related parties are disclosed in the condensed consolidated statement of financial position.

During the six months ended 31 December 2011, the Group paid rental, air-conditioning, management fee and car parking charges to fellow subsidiaries amounting to approximately HK$1,216,000 (six months ended 31 December 2010: HK$912,000) in aggregate.

Apart from those related party transactions disclosed in notes 4 and 5, the Group's jointly controlled entities had the following significant transactions with a joint venture partner other than the Group during the six months ended 31 December 2011 and 2010:

		Six months ended 31 December	
Relationship	**Nature of transactions**	2010 HK$'000	**2011 HK$'000**
Joint venture partner of the GS Superhighway JV	Reimbursement of operating expenses	989	**1,214**
	Dividend paid and payable	484,982	**778,114**

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 jointly 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.

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
Mr. Cheng Hui JIA
Mr. Alan Ming Fai TAM
Mr. Philip Tsung Cheng FEI#
Mr. Kojiro NAKAHARA#
Dr. Gordon YEN#
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
Dr. Gordon YEN
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
Dr. Gordon YEN

Company Secretary

Mr. Richard Cho Wa LAW

Registered Office

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Wan Chai, Hong Kong
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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

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
Cayman Island KY1-1116

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

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Email: ir@hopewellhighway.com

Website

www.hopewellhighway.com

Key Dates

Interim results announcement	23 February 2012
Closure of Register	9 March 2012
Interim dividend payable (HK18 cents per share)	15 March 2012

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

GLOSSARY

"1H FY11"	the first half of FY11
"1H FY12"	the first half of FY12
"Award Scheme"	the share award scheme adopted by the Board on 25 January 2007
"Board"	the Board of Directors of the Company
"Coastal Expressway"	Guangzhou-Shenzhen Coastal Expressway
"Company" or "HHI"	Hopewell Highway Infrastructure Limited
"Director(s)"	director(s) of the Company
"DTT"	Messrs. Deloitte Touche Tohmatsu
"EBIT"	earnings before interest and tax
"EBITDA"	earnings before interest taxation depreciation and amortization
"EIT"	Enterprise Income Tax
"FY08"	the financial year ended 30 June 2008
"FY09"	the financial year ended 30 June 2009
"FY10"	the financial year ended 30 June 2010
"FY11"	the financial year ended 30 June 2011
"FY12"	the financial year ending 30 June 2012
"FY13"	the financial year ending 30 June 2013
"GDP"	Gross Domestic Product
"Group"	the Company and its subsidiaries
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"GS Superhighway JV"	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture company established for the GS Superhighway
"HHL"	Hopewell Holdings Limited
"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 PRC

GLOSSARY (Continued)

"JCE/JCEs"	the jointly controlled entity/entities
"Lady WU"	Lady WU Ivy Sau Ping KWOK
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of PRC
"Mainland China"	PRC, excluding Hong Kong and Macau
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"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
"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
"Western Delta Route"	the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West

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