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## **Hopewell Highway Infrastructure Limited**

**合和公路基建有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**Stock Codes: 737 (HKD counter) and 80737 (RMB counter)**

### **FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017**

#### **Highlights**

##### **FY17**

- Net profit grew 22% yoy to RMB623 million mainly due to growth in core operations and narrowed net exchange loss
- Profit before net exchange loss up 8% yoy to RMB649 million
- Total dividend of RMB30.2 cents per share (final dividend of RMB11.6 cents per share; special final dividend of RMB10 cents per share and interim dividend of RMB8.6 cents per share)
- The growth momentum of the GS Superhighway is persistent. Its average daily full-length equivalent traffic reached the historical high, while average daily toll revenue set a new high after the tariff cut in June 2012
- Western Delta Route (“WDR”) recorded strong growth with net profit rising 169% yoy to RMB107 million (HHI’s share)
- Net exchange loss on RMB depreciation narrowed to RMB17 million (HHI’s share) (FY16: RMB82 million)
- Disclose WDR as a whole starting from FY17 annual results. Simplify disclosure to reflect full operation (WDR fully opened in January 2013 and turned profitable since FY16)
- West Route JV utilised surplus cash to fully prepay RMB807 million of bank loan principal due in 2017 and 2018 as at 30 June 2017 (JV company level)
- Strong financial position with HHI corporate level net cash of RMB469 million or RMB0.15 per share as at 30 June 2017

\* For identification purposes only

**Upcoming: FY18 and Beyond**

- FY18 results will be affected by the one-off impact from the GS Superhighway JV's profit sharing ratio adjusted from 48% to 45% starting from 1 July 2017, yet will be supported by (i) GS Superhighway's and WDR's healthy growth and (ii) fall in WDR's interest expenses
- 100% dividend payout target (full-year basis) is sustainable, given that (i) HHI corporate level net cash stayed at RMB469 million as at 30 June 2017; (ii) HHI expects to receive approximately RMB600 million dividend from the GS Superhighway JV in FY18, which is similar to HHI's proposed annual regular dividend to be distributed to shareholders in FY17; (iii) West Route JV targets to distribute dividend to HHI starting from 2020 the earliest
- WDR's finance cost will drop in FY18 mainly due to (i) 10% discount on individual bank loans' borrowing rates and (ii) prepayment of bank loans
- The soon-to-open Hong Kong-Zhuhai-Macao Bridge will benefit WDR
- Guangdong-Hong Kong-Macao Bay Area's development will benefit the GS Superhighway and WDR

## **CHAIRMAN'S STATEMENT**

I am pleased to report the Group's results for the financial year ended 30 June 2017. The Group's shared aggregate net toll revenue increased by 8% from RMB2,002 million to RMB2,159 million. This was mainly due to the continuous healthy growth in toll revenue of the GS Superhighway and the Western Delta Route.

The aggregate EBITDA of toll expressways grew by 9%, from RMB1,705 million to RMB1,859 million. The Group's net profit from its toll road projects increased by 9% from RMB611 million to RMB666 million. Meanwhile, the profit attributable to owners of the Company increased by 22% from RMB511 million to RMB623 million. Basic earnings per share for the year increased by 22% from the previous year's RMB16.59 cents to RMB20.21 cents.

### **Final Dividend and Special Final Dividend**

The Board has proposed a final dividend of RMB11.6 cents per share (equivalent to HK13.58986 cents per share at the exchange rate of RMB1:HK\$1.17154) and a special final dividend of RMB10 cents per share (equivalent to HK11.71540 cents per share at the exchange rate of RMB1:HK\$1.17154) for the financial year ended 30 June 2017. Together with an interim dividend of RMB8.6 cents per share that has already been paid, the total regular dividends for the year will amount to RMB20.2 cents per share. This represents an increase of 22% on the last financial year's total regular dividends of RMB16.6 cents per share. Excluding the special final dividend of RMB10 cents per share, the Company's total dividend for the year represents a regular dividend payout ratio of 100% of the Company's profit attributable to owners of the Company and will be the same as that of the previous year.

Subject to shareholders' approval at the 2017 Annual General Meeting to be held on Thursday, 26 October 2017, the proposed final dividend and special final dividend will be paid on Monday, 4 December 2017 to shareholders of the Company who are registered at the close of business on Wednesday, 1 November 2017.

If the proposed final dividend and special final dividend are approved by the shareholders at the 2017 Annual General Meeting, they will be payable in cash in RMB or HK Dollars, or a combination of these currencies, at the exchange rate of RMB to HKD as published by The People's Bank of China on Wednesday, 16 August 2017 and shareholders will be given the option of electing to receive the final dividend and special final dividend in either RMB or HK Dollars or a combination of RMB and HK Dollars.

To make the dividend election, shareholders should complete the Dividend Election Form (if applicable) and return it to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 21 November 2017. **If no dividend election is made by a shareholder, such shareholder will receive the final dividend and special final dividend in HK Dollars.**

### **Closure of Register**

To ascertain shareholders' eligibility to attend and vote at the 2017 Annual General Meeting to be held on Thursday, 26 October 2017, the Register of Members of the Company will be closed from Thursday, 19 October 2017 to Thursday, 26 October 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the 2017 Annual General Meeting, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 18 October 2017.

To ascertain shareholders' entitlement to the proposed final dividend and special final dividend, the Register of Members of the Company will be closed for one day on Wednesday, 1 November 2017, if and only if the proposed final dividend and special final dividend are approved by the shareholders at the 2017 Annual General Meeting. No transfer of shares of the Company will be effected on the aforementioned book-close date. To qualify for the proposed final dividend and special final dividend, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 31 October 2017.

### **Business Review**

During the year under review, global economic and political uncertainties continued to weigh on the world economy. The US interest rate hike cycle, the new presidency of the US, and Brexit have casted doubt to the recovery of global economy.

On the contrary, the PRC economy continued to grow healthily. Proactive fiscal and monetary policies were implemented by the PRC government to boost domestic consumption and large-scale infrastructure investments to support the local economy, which achieved GDP growth of 6.7% in 2016 within the government's target range of 6.5% to 7.0%. Such growth momentum carried over to the first and second quarters of 2017, with GDP growth rates both reaching 6.9% yoy.

During the year under review, the aggregate average daily toll revenue of the GS Superhighway and the Western Delta Route grew 8% yoy to RMB12.5 million and the aggregate total toll revenue amounted to RMB4,579 million.

The average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway increased by 6% and 8% yoy to RMB9.2 million and 99,000 vehicles respectively, indicating that growth momentum is persistent. The average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route reached historical high and grew 15% and 17% yoy to RMB3.4 million and 47,000 vehicles respectively.

## **Corporate Sustainability**

The Group believes that promoting sustainability is as important as achieving long-term business growth. It is committed to continuous efforts to maintain a high degree of sustainability in its operations. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders. The Group has established a formal stakeholder engagement process and a Sustainability Steering Committee to strengthen its management's efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practices.

To demonstrate its commitment to transparency and accountability to its stakeholders, the Company will issue an independently verified Sustainability Report under the Environmental, Social and Governance (ESG) Reporting Guide of the Stock Exchange. The report will present its company-wide commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impact arising from the activities of the Group and its JVs.

## **Prospects**

Given the volatile global market environment, recovery of the world economy has been slower than expected. The rise of protectionism and de-globalisation around the globe, policies under the new US presidency, the pace of US interest rate hike, the unclear Brexit process, and upcoming elections across Europe will all impact the growth of global economy. The Group will closely monitor the evolving market environment and be prepared to face various challenges ahead.

In view of the unstable global economic environment, the PRC government continues to transform structurally to a consumption-driven, innovative, technology-advanced and environmentally-sustainable growth economy. In order to support its initiative to sustain GDP growth, the PRC government is striking a balance between restricting credit in speculative buying to curb "asset bubbles" while supporting the property market with domestic consumption. The government's continuous efforts towards reducing taxes and levies, deepening supply-side structural reform, liberalizing financial services and internationalizing RMB will altogether provide a healthy and steady growth driver to the PRC economic development.

The Belt and Road initiative strategically connects PRC, ASEAN, Middle East, as well as Central and Eastern European countries through international co-operation and infrastructure projects. It

encourages free flows of information, finance and goods by gradually removing investment and trade barriers. In the long run, it will promote mutual trust and co-development in the areas of economics, finance, transport, tourism, technology and academy which will ultimately result in prosperity of the nations along the regions.

In addition, the strategic regional development scheme Guangdong-Hong Kong-Macao Bay Area (“Bay Area”), which was tailor-made by the PRC government as part of the 13th Five-Year Plan, is designed to strengthen infrastructure linkages and stimulate economic cooperation among Guangdong-Hong Kong-Macao region. It is expected that the GS Superhighway and the Western Delta Route can benefit from the fostered economic development. Hong Kong can leverage on its advantage as an international and domestic financial hub to capitalize the opportunities arising from the Belt and Road and Bay Area initiatives. Furthermore, the recent admission of Hong Kong as a new member of the Asian Infrastructure Investment Bank will further reinforce its position as a premier international financial centre.

The registered car population of Guangdong continued to record healthy growth, increasing by 14% yoy and reaching a new record high of 16.8 million vehicles at the end of 2016. The growth in demand for road usage continues to outpace the growth of expressway length. These, together with the prosperous economic development of the PRD are expected to sustain growth of the Group’s expressways.

Growth momentum of the GS Superhighway and the Western Delta Route persists. The Western Delta Route is the most direct and convenient artery in the regional expressway network that covers the most prosperous and populous cities on the western bank of the PRD, including Guangzhou, Foshan, Zhongshan and Zhuhai. It offers a convenient access to the Hengqin State-level Strategic New Zone, and via its connection with the forthcoming HZM Bridge to Hong Kong. Upon completion of the HZM Bridge, traffic flow to and fro Hong Kong and western PRD will be further stimulated. This, together with the strategic Bay Area initiative, is expected to facilitate the urbanization pace of cities in the western PRD region, which will help lift economic growth of the region and benefit the Group in the long term.

## **Appreciation**

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

**Sir Gordon Ying Sheung WU** KCMG, FICE  
*Chairman*

Hong Kong, 16 August 2017

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the year under review, the aggregate average daily toll revenue of the GS Superhighway and the Western Delta Route grew by 8% yoy to RMB12.5 million and the aggregate total toll revenue amounted to RMB4,579 million.

The growth momentum of the GS Superhighway is persistent ever since the second half of FY15. During the year under review, its average daily toll revenue increased by 6% yoy to RMB9.2 million, which set a new high after the tariff cut in June 2012. Meanwhile, the average daily full-length equivalent traffic grew by 8% yoy to 99,000 vehicles and reached historical high. The growth was supported by the healthy economic environment in the PRD region.

The average daily toll revenue and average daily full-length equivalent traffic of the Western Delta Route, amounting to RMB3.4 million and 47,000 vehicles, reached historical high with strong yoy growth of 15% and 17% respectively. The strong performance was supported by the healthy economic environment in the PRD region, and positive impacts generated from maintenance and upgrading works on National Highway 105 and local roads nearby from mid-August 2016 to the end of 2019.

Starting from FY17 annual results, information on the Western Delta Route will be disclosed as a whole. Disclosure has been simplified to reflect the full operation of the Western Delta Route, since it was fully opened in January 2013 and turned profitable since FY16.

The Group's shared aggregate net toll revenue increased by 8% yoy to RMB2,159 million during the year under review, with the GS Superhighway and the Western Delta Route contributing 72% and 28% respectively, compared to 74% and 26% respectively in FY16.

<b>Financial Year</b>	<b>2016</b>	<b>2017</b>	<b>% Change</b>
<b><i>At JV company level</i></b>			
<b><i>GS Superhighway</i></b>			
Average Daily Toll Revenue <sup>#</sup> (RMB '000)	8,682	<b>9,169</b>	+6%
Average Daily Full-Length Equivalent Traffic <sup>*</sup> (No. of vehicles '000)	92	<b>99</b>	+8%
<b><i>Western Delta Route</i></b>			
Average Daily Toll Revenue <sup>#</sup> (RMB '000)	2,941	<b>3,377</b>	+15%
Average Daily Full-Length Equivalent Traffic <sup>*</sup> (No. of vehicles '000)	40	<b>47</b>	+17%

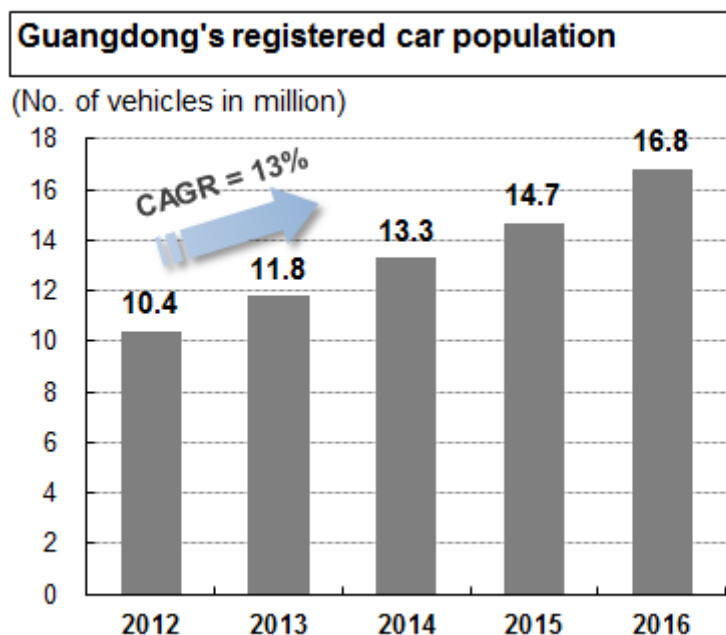
# Including tax

\* Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the year under review. It can better reflect road usage as it takes into account total travelling distance by all vehicles on the expressway and is a standard operational statistic used throughout the industry

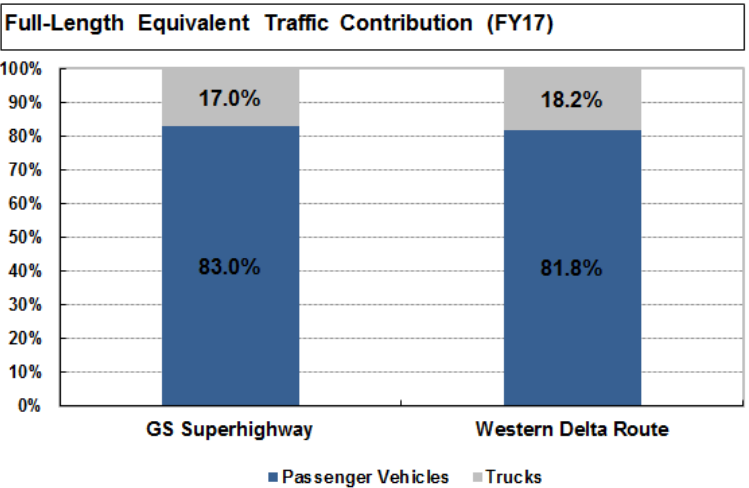
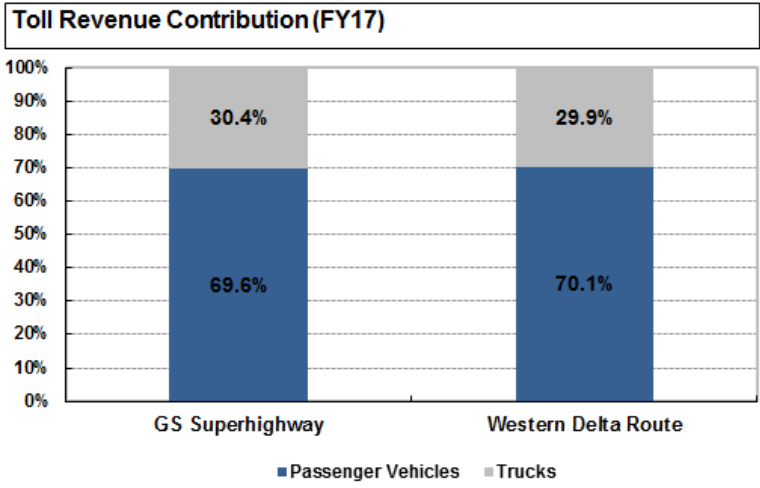


## Economic Environment

From 2012 to the end of 2016, total length of expressways in Guangdong reached 7,683 km with a compound annual growth rate of 9%. On the other hand, continuous demand for road usage was caused by growing registered car population, which achieved a compound annual growth of 13% during the same period and grew by 14% yoy to a record high of 16.8 million vehicles at the end of 2016. The growth rate of toll road supply is far lagging behind the demand in Guangdong. Healthy economic development and rising registered car population that generate sustainable demand for road usage will continue to support the growth of the Group's expressways.



According to the China Association of Automobile Manufacturers, annual vehicle sales in Mainland China surged by 14% to a historical high of approximately 28 million units in 2016, supported by a purchase tax cut from 10% statutory rate to 5% for passenger cars with engines no larger than 1.6 litres that was implemented since 1 October 2015. Mainland China remains the largest vehicle sales market in the world for the eighth consecutive year since 2009. At the end of 2016, its registered car population had already exceeded 180 million units and the number of vehicles keeps on rising. In the first half of 2017, vehicle sales increased moderately by 4% to approximately 13 million units as the tax benefit was reduced. The purchase tax rate increases to 7.5% in 2017 from 5% in 2016, and will rise to the pre-tax cut statutory level of 10% in 2018. The Company believes that the GS Superhighway and the Western Delta Route will continue to benefit from the growth of car population in Mainland China and Guangdong, which is driven mainly by the growth of passenger car sales.



The continuation of supply-side structural reforms in Mainland China provides a sustainable environment to support its economic growth. Mainland China and Guangdong achieved GDP growth of 6.7% and 7.5% in 2016 respectively. The strong momentum carried on in the first half of 2017 with the GDP growth of Mainland China and Guangdong maintaining at 6.9% and 7.8%, which exceeded the respective targets of around 6.5% and above 7%.

The strategic regional development scheme – Guangdong-Hong Kong-Macao Bay Area (“Bay Area”), was first addressed in the 13th Five-Year Plan (2016-2020) by the PRC government. It was designed to strengthen infrastructure linkages and stimulate economic cooperation in the city cluster, which includes Hong Kong, Macao, and nine cities in Guangdong Province. The economic development in the Bay Area will be further boosted in the coming years. The GS Superhighway and the Western Delta Route, which perfectly connect most of the populous cities in the Bay Area, are expected to benefit from the fostered economic development.

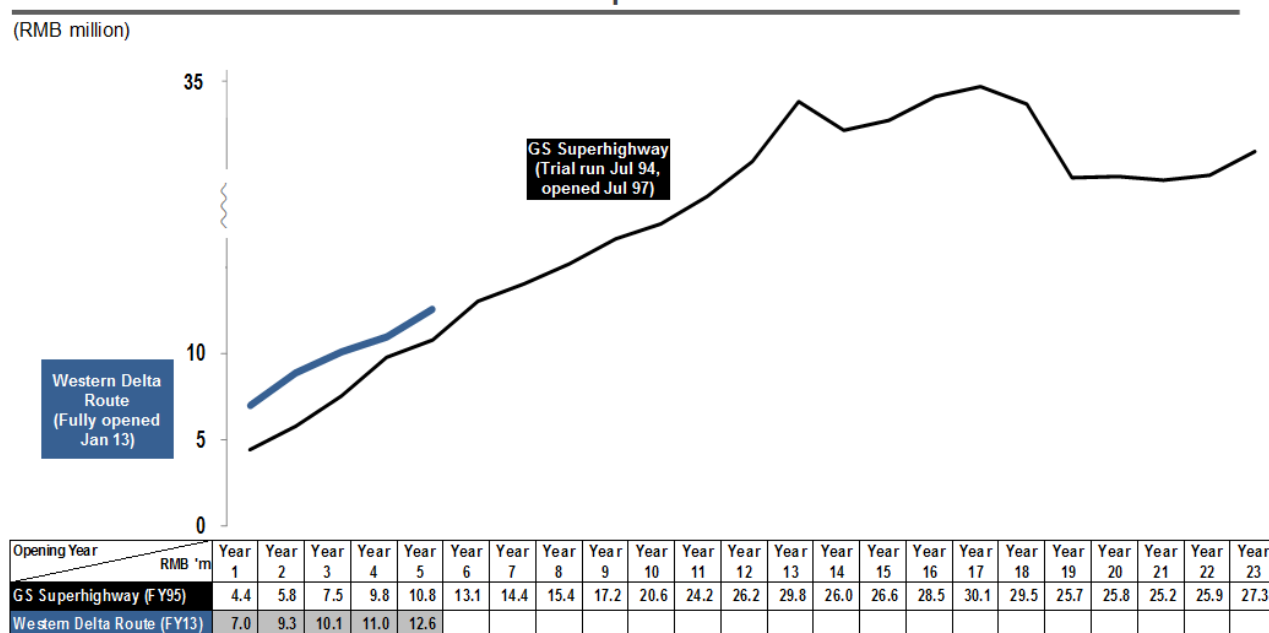


Source: PRC State Council, Statistics Bureau of Guangdong Province, HKSAR Census and Statistics Department, Government of Macao SAR Statistics and Census Service

## Growth Potential of the Western Delta Route

The Western Delta Route is the most direct and convenient expressway artery in the regional expressway network on the western bank of the PRD region, running from north to south through the most prosperous and populous cities namely Guangzhou, Foshan, Zhongshan and Zhuhai. It offers direct and convenient access to the Hengqin State-level Strategic New Zone and the forthcoming HZM Bridge through an expressway network at its southern end. It has been achieving healthy growth since opening. Given its locational advantages on the western bank of the PRD, it is well positioned to benefit from the prosperous economic development of the region.

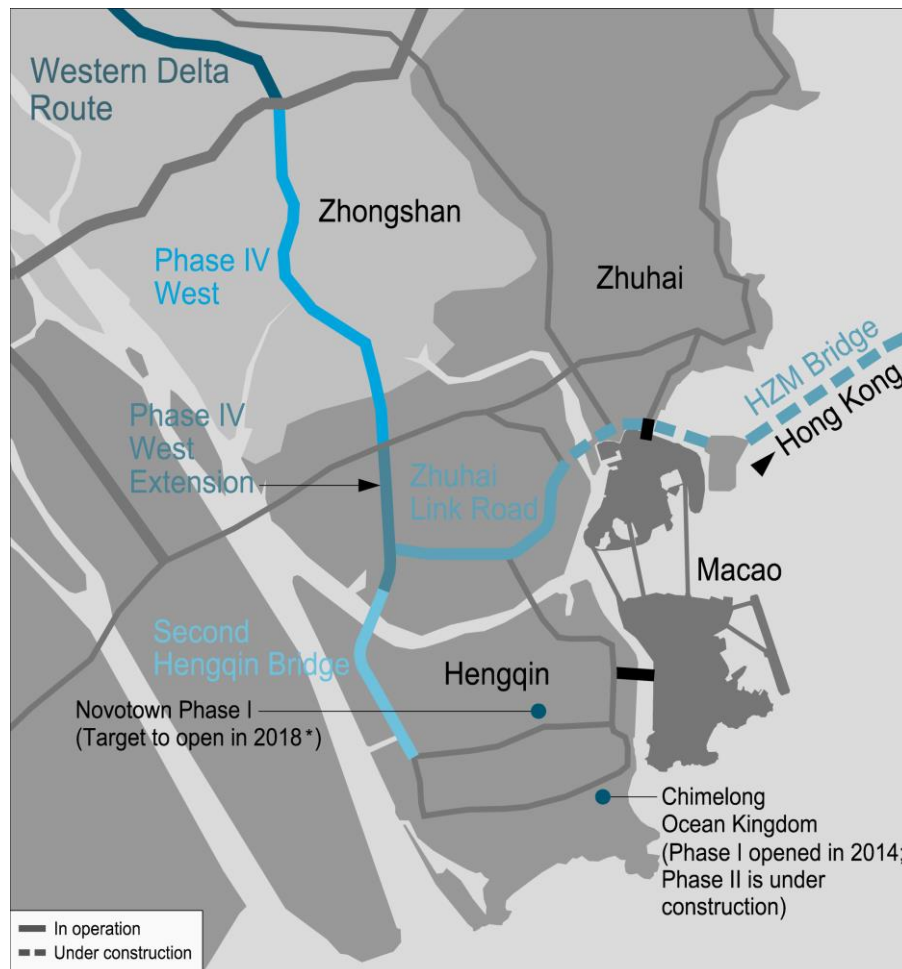
### Western Delta Route — Annual Toll Revenue\* per km



\* Including tax

The Western Delta Route is located at the heart of western PRD and runs along its central axis. It is well connected with the Guangzhou Ring Road, Guangzhou-Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan-Jiangmen Expressway, Western Coastal Expressway, and will link up with not only the forthcoming HZM Bridge, but also the Guangzhou-Zhongshan-Jiangmen Expressway, Humen Second Bridge and Shenzhen-Zhongshan Corridor (these infrastructures will open to traffic by 2019, 2019 and 2024 respectively, according to the media reports) to form a comprehensive regional expressway network. In the first quarter of 2017, an expressway link between the southern end of the Western Delta Route and Second Hengqin Bridge was opened to traffic, which strengthens Western Delta Route's position as the most convenient and the only expressway artery facilitating traffic to and fro Guangzhou and Hengqin. In addition, the Zhuhai Link Road, which is connected to the southern end of Phase IV West Extension and the HZM Bridge, was partially opened to traffic on 9 September 2016. It provides a direct linkage to the city centre of Zhuhai and will further connect to the HZM Bridge after full completion. The

Company believes that good connectivity will provide continuous and stable traffic flow to the Western Delta Route.



\* According to media

The HZM Bridge will provide a convenient link between Hong Kong and western PRD. Upon its completion, western PRD cities will fall into a 3-hour commuting radius from Hong Kong. With an enhanced transportation network in the vicinity, the bridge will improve the surrounding cities' geographical advantages as well as competitiveness, and attract new business opportunities in the region. The cross border passenger and freight traffic between western PRD and Hong Kong will be stimulated due to a more convenient land transport and shorter travelling time. The travelling time between Hong Kong and Zhuhai will be substantially reduced to approximately 30 minutes via the HZM Bridge in the future instead of spending as much as 4 hours by land or over 1 hour by sea currently. As a result, traffic flow in western PRD, in particular the related feeder traffic, will be boosted subsequent to the opening of the HZM Bridge. With reference to the opening of the Hong Kong-Shenzhen Western Corridor in 2007, the number of cross-border licenses for private cars has been increasing significantly to make use of the enlarged capacity of the border crossings. It is expected that more private car cross-border licenses will be issued for the HZM Bridge border crossing shortly after its opening and it will provide impetus to the traffic growth of the Western Delta Route. The HZM Bridge's opening will further foster the region's economic development and integration, thereby benefiting the Western Delta Route.

Hengqin in Zhuhai is the third State-level Strategic New Zone following Shanghai's Pudong District and Tianjin's Binhai District in China. It is also being incorporated as part of the China (Guangdong) Pilot Free Trade Zone which was established in April 2015. Hengqin is being positioned as a new growth hub focusing on the development of business services, tourism, entertainment and technological research. Numerous key development projects, including commercial landmarks, hotels and tourist attractions, will be completed in the coming few years. According to the media reports, the committed total project investments in Hengqin have reached over RMB340 billion as of June 2017. Among which, Chimelong International Ocean Tourist Resort is one of the signature projects and the major contributor to tourism in Hengqin. Chimelong Ocean Kingdom, its leading theme park, welcomed approximately 8.5 million tourists in 2016 at an annual growth rate of 13%. The expansion of the resort has been actively underway with a total investment of over RMB50 billion. It is planned to accommodate approximately 50 million visitorship annually after the expansion is completed. Moreover, phase one of Lai Sun Group's Novotown, another signature project focusing on culture and recreation industries with theme hotels, targets to open in late 2018 according to the media. The project is expected to attract 5 million visitors in its first year of operation. By the end of 2016, the Macao government altogether recommended 83 local projects to the Hengqin authority for development in the Guangdong-Macao Cooperation Industrial Park. The committed project investments are expected to exceed RMB200 billion. 13 projects have started construction and will be completed from 2018 onwards as reported by the media. In addition, Zhuhai has become a premier venue for holding international events. The China International Circus Festival will be held annually instead of biennially since 2016 while Airshow China will remain a biennial event to be held in Zhuhai. The Western Delta Route will benefit from the progressive development in Hengqin which strengthens the demand for transportation in the region.

### **Hengqin's Developments**

	CY	2014	2015	2016	2017	2018	2019	2020	▶	▶	▶
<b>Projects</b>											
<b>Chimelong International Ocean Tourist Resort Phase 1</b>		Opened in March 2014									
<b>Chimelong International Ocean Tourist Resort Phase 2</b>								Target opening in 2020*			
<b>Phase I of Lai Sun Group's Novotown</b>								Target opening in end-2018*			
<b>Ferretti Yacht Asia-Pacific Center</b>								Target opening in 2018*			
<b>Guangdong-Macao Cooperation Industrial Park</b>								Target completion from 2018 onwards*			
<b>Infrastructure</b>											
<b>Macau Cotai-Hengqin Border Crossing 24-hour opening</b>			Since December 2014								
<b>Hengqin Second Bridge</b>				Opened in December 2015							

\* According to media

On the other hand, newly established gaming resorts and hotels in Macao also help to promote tourism. Since 2015, new projects in Cotai, namely Galaxy Macau Phase Two, Studio City, Wynn Palace and the Parisian Macao, help to attract more tourists and they altogether provide a total of over 7,500 guest rooms. Besides, there are other notable projects still under construction. MGM Cotai is expected to open in the fourth quarter of 2017 offering approximately 1,400 hotel rooms, while Grand Lisboa Palace will open in the second half of 2018 with a supply of approximately 2,000 rooms according to the media reports. These new landmarks will provide fresh experience of entertainment and hospitality in the region, propelling a second wave of growth in Macao's tourism. Furthermore, after the implementation of 24-hour opening of border crossing for passengers and passenger cars between Macao and Hengqin since 18 December 2014, the cross border traffic flow is boosted. The average daily cross border passenger flow and vehicular traffic between Cotai and Hengqin grew robustly by 69% and 23% to 24,000 journeys and 3,000 vehicles respectively in 2016 when compared to 2014. The Western Delta Route, being the most direct and convenient expressway from Guangzhou to Hengqin and Macao, will benefit from the increased demand for passenger and freight transportation brought along by the developments of the region.

### **Latest Update in Toll Road Industry**

#### ***Toll discount for trucks in state-owned expressways***

Two major state-owned toll road investors and operators in Guangdong Province, Guangdong Provincial Communication Group Company Limited and Guangdong Nanyue Transportation Investment and Construction Company Limited jointly announced on 29 June 2017 that their 43 state-owned expressways in Guangdong would offer 15% toll discount for trucks using Guangdong Unitoll Card for toll payments starting from 1 July 2017 in order to lower the cost of the logistics industry. The toll discount for trucks is not applicable to the GS Superhighway and the Western Delta Route. The Company will closely monitor the situation.

#### ***Regulation on the Administration of Toll Roads (Amendment Proposal)***

On 8 May 2013, the Ministry of Transport proposed amendments to the existing Regulation on the Administration of Toll Roads and invited opinions from the public and relevant industries. On 21 July 2015, the Ministry of Transport announced a new version of amendment and invited opinions from the public again. The major new clauses affecting the toll road companies under operation include (1) the toll collection period can be up to 30 years instead of the prevailing 25 years; (2) the operation period can be extended due to increased investment in traffic capacity expansion and (3) the local government, which launches a toll-free policy violating the legal rights of the toll road companies and resulting in any revenue loss, needs to compensate the toll road companies. The Company will closely monitor the development on this issue.

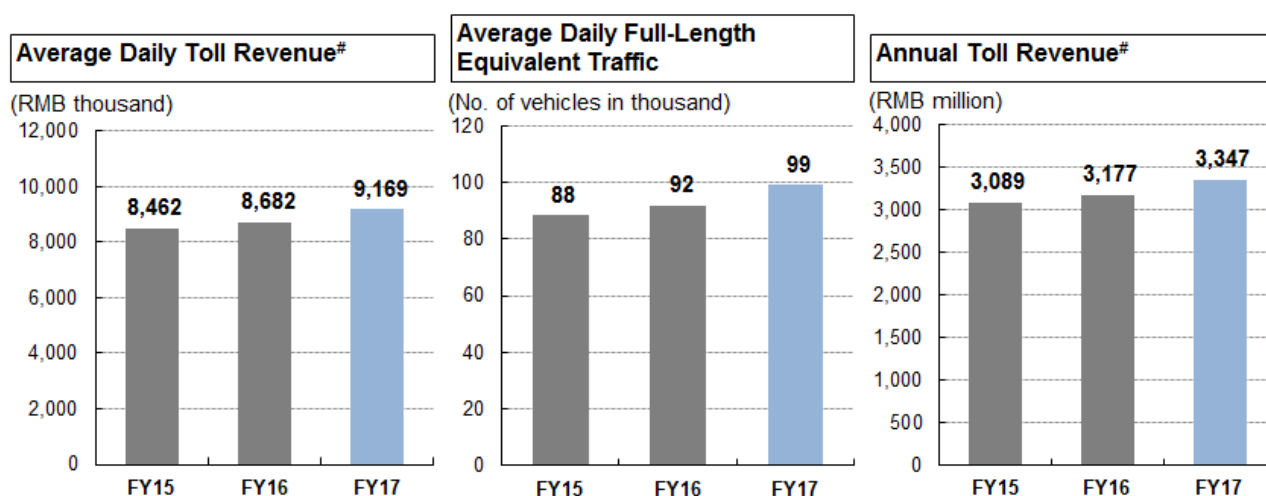


## Guangzhou-Shenzhen Superhighway

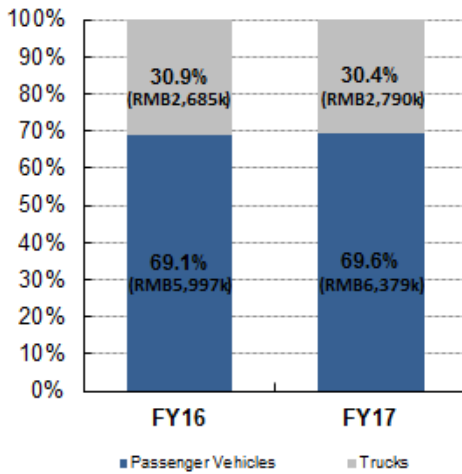
The GS Superhighway is the main expressway connecting the PRD region's three major cities – Guangzhou, Dongguan, Shenzhen and Hong Kong. After the full opening of the Coastal Expressway at the end of 2013, the GS Superhighway returned to positive growth ever since the second half of FY15. During the year under review, steady growth has been maintained. The average daily toll revenue increased by 6% yoy to RMB9.2 million, which set a new high after the tariff cut in June 2012. Its total toll revenue amounted to RMB3,347 million. The average daily full-length equivalent traffic on the GS Superhighway rose by 8% yoy to 99,000 vehicles and reached the historical high. When comparing with the new historical peak at 121,000 vehicles recorded on 14 September 2016, there is still 22% room for traffic growth on the GS Superhighway. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 69.6% and 83.0% of the GS Superhighway's toll revenue and full-length equivalent traffic volume respectively. The solid economic environment in Guangzhou, Dongguan and Shenzhen with GDP growth of 7.9%-8.8% in the first half of 2017 supported the growth of the GS Superhighway.

The implementation of traffic restriction measures in the peripheral area of Shenzhen Bay border crossing due to road network upgrade works since mid-October 2016 has diverted some passenger cars to travel on the GS Superhighway and the impact has been minimal so far. The construction period of the aforesaid works has been prolonged to complete in mid-October 2017 and the Group will continue to monitor its impact.

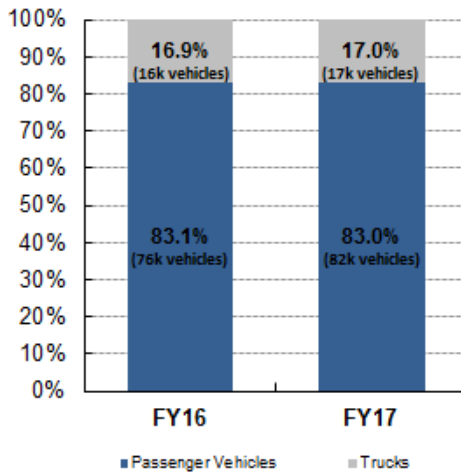
Nanguang Expressway and Longda Expressway (Shenzhen section), which are parallel to Taiping to Nantou section of the GS Superhighway, became toll-free since 7 February 2016. It generated a slight positive impact on the GS Superhighway afterwards. One year after the toll-free measures became effective, the stimulation on the yoy growth of the related sections of the GS Superhighway had diminished.



**Average Daily Toll Revenue Breakdown by Vehicle Type**

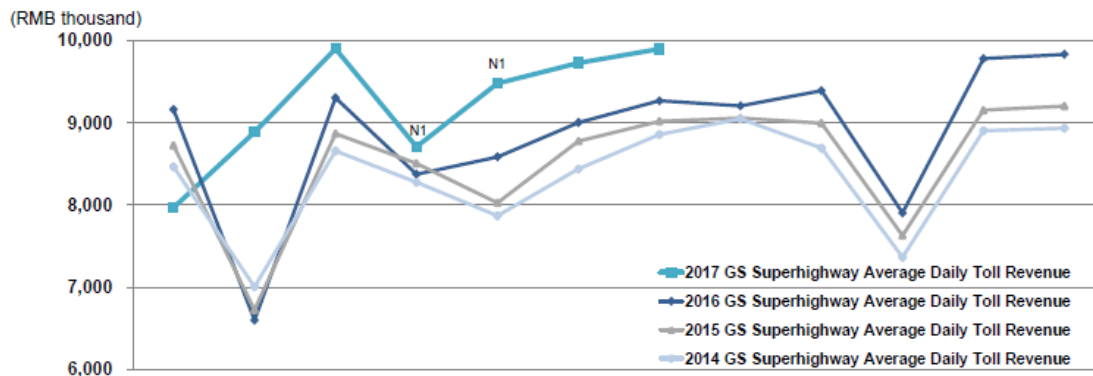


**Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type**



# Including tax

**GS Superhighway Average Daily Toll Revenue (Monthly)**



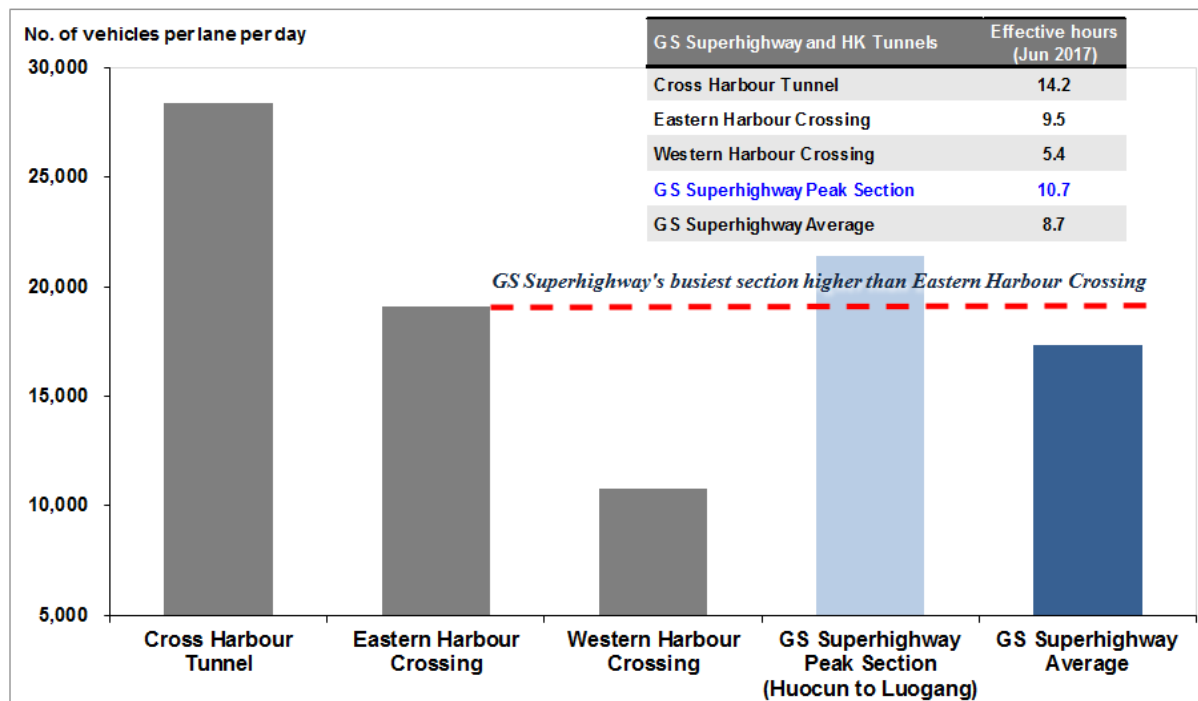
	Jan + Feb (Lunar New Year)	Mar	Apr (Ching Ming Festival)	May (Labour Holiday)	Jun	Jul	Aug	Sep + Oct (National Holiday)	Nov	Dec	CY Yearly Average	yoy change	
												1HCY	2HCY
2014	7,770	8,657	8,276	7,868	8,438	8,857	9,046	8,017	8,903	8,933	8,384	-5%	-6%
2015	7,774	8,867	8,505	8,025	8,775	9,017	9,057	8,300	9,153	9,202	8,567	+2%	+2%
2016	7,921	9,303	8,374	8,584	9,002	9,266	9,204	8,634	9,779	9,831	8,875	+3%	+4%
2017	8,402	9,899	8,708	9,479	9,726	9,896							+7%
2016 vs 2015 yoy	+2%	+5%	-2%	+7%	+3%	+3%	+2%	+4%	+7%	+7%	+4%		
2017 vs 2016 yoy	+6%	+6%	+4%	+10%	+8%	+7%							

N1: April: one more day of toll-free holiday in 2017 compared to 2016; May: one less day of toll-free holiday in 2017 compared to 2016



With reference to the chart below, the cross sectional traffic volume (per lane) of the GS Superhighway's busiest section was higher than that of the Eastern Harbour Crossing in Hong Kong while its average of all sections was lower than that of the Eastern Harbour Crossing.

### **GS Superhighway – Average Daily Cross Sectional Traffic Per Lane and Effective Hour**



Remarks:

- 1) Effective hour = no. of vehicles per lane / 2,000 cars per hour per lane
- 2) 10 lanes in dual directions in Wudianmei to Taiping and Hezhou to Fuyong sections after expansion for the GS Superhighway
- 3) Average daily traffic of HK tunnels (May 2017): Cross Harbour Tunnel 113,000, Eastern Harbour Crossing 76,000, Western Harbour Crossing 65,000
- 4) Average daily traffic of GS Superhighway (June 2017)

According to the media reports, Shenzhen has planned to start upgrading works on Baoan section of National Highway 107 in 2018 and the starting date of construction works is yet to be announced. The Group will continue to monitor the situation.

The GS Superhighway officially opened to traffic in July 1997 and FY17 was the twentieth anniversary of operation. Pursuant to the joint venture agreement, the Group's profit sharing ratio in the GS Superhighway JV has been adjusted from 48% to 45% starting from 1 July 2017 for the next ten years.

The GS Superhighway JV has been making incessant progress in enhancing its operational efficiency and its capability to cope with the increasing traffic by installing automated equipment at the toll lanes and entry lanes. Currently, approximately 76% of all the toll lanes at entrances to the GS Superhighway are equipped with ETC or automatic card-issuing machines. The GS Superhighway JV also completed an organizational structure review, which targeted at streamlining the workforce and improving the operational efficiency in the long term. The plan is currently under execution.

## **Western Delta Route**

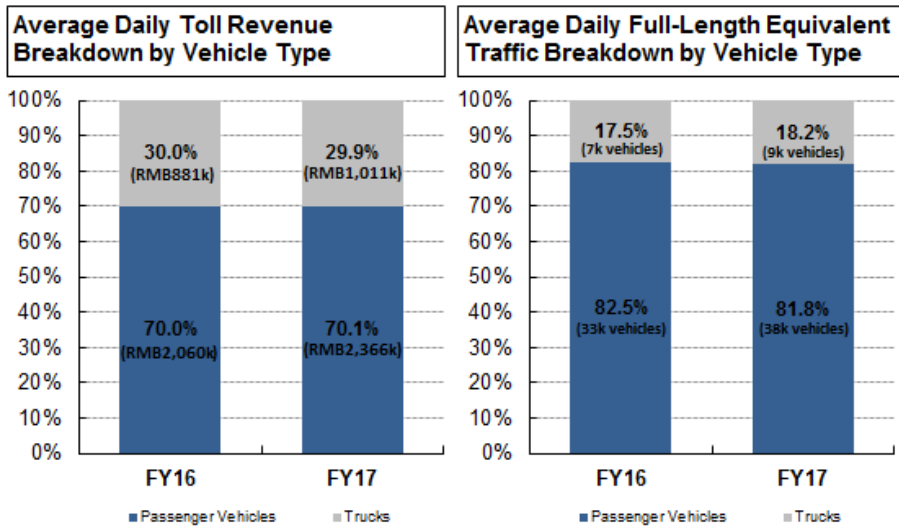
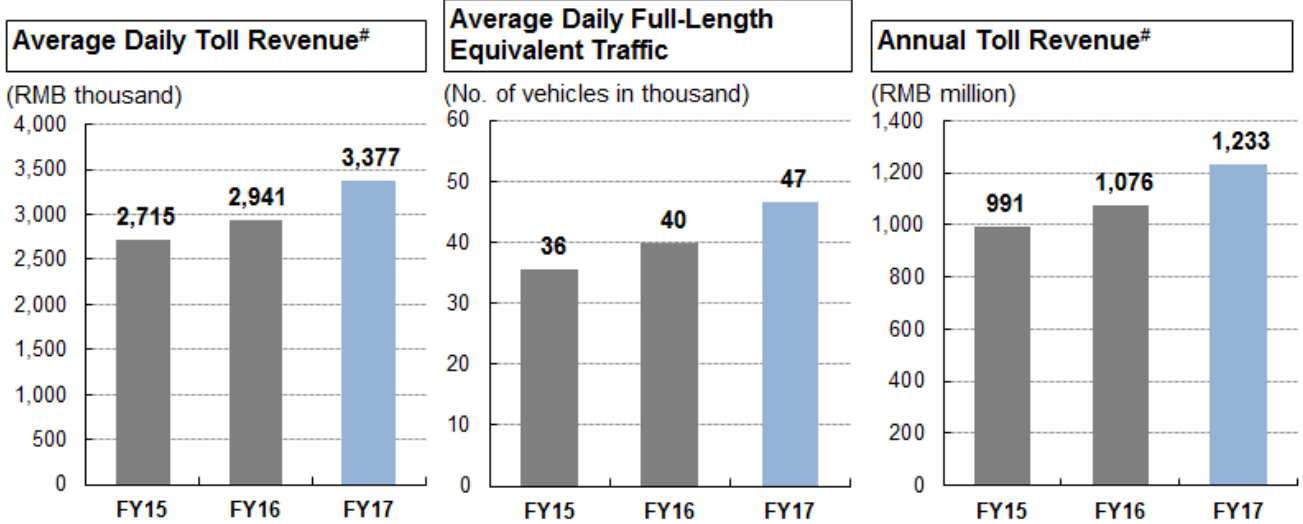
The Western Delta Route was developed in three phases and it was fully opened to traffic on 25 January 2013. It is a 97.9-km closed expressway with a total of 6 lanes in dual directions that runs from north to south along the central axis of western PRD and connects four major cities – Guangzhou, Foshan, Zhongshan and Zhuhai. It is the only main expressway artery between the city centres of Guangzhou and Zhuhai, and offers the most convenient access to Hengqin, Macao and Hong Kong through its connection with Second Hengqin Bridge, the Zhuhai Link Road and the forthcoming HZM Bridge.

During the year under review, its average daily toll revenue and average daily full-length equivalent traffic grew strongly and achieved 15% and 17% yoy growth to RMB3.4 million and 47,000 vehicles respectively. Meanwhile, its total toll revenue amounted to RMB1,233 million. Passenger vehicles are the major contributors to toll revenue and traffic, accounting for 70.1% and 81.8% of the Western Delta Route's toll revenue and full-length equivalent traffic volume respectively. On 14 September 2016, its toll revenue recorded a new high which amounted to RMB4.3 million. The healthy economic environment of the four main cities on the western bank of the PRD region, namely Guangzhou, Foshan, Zhongshan and Zhuhai with GDP growth of 7.4%-9.2% in the first half of 2017 supported the strong growth of the Western Delta Route.

The ongoing maintenance and upgrading works on National Highway 105 and local roads nearby also generated positive impacts on its performance. Those maintenance and upgrading works are being carried out in different periods from mid-August 2016 to early September 2018. Traffic restriction measures are implemented accordingly and some vehicles have been diverted onto the Western Delta Route, thereby bringing positive impacts to it.

Foshan Ring Road, a major local road of Foshan city which is close to the northern end of the Western Delta Route, is scheduled to be upgraded into several toll expressways. The construction works are being carried out from late June 2017 to the end of 2019. Traffic restriction measures are implemented on some sections and all trucks are forbidden during the construction period from 1 August 2017 to 30 December 2018. Thus, traffic will be diverted onto surrounding roads, including the Western Delta Route. It is expected that traffic of the Western Delta Route will increase and the Company will keep monitoring the impact.

In addition, a main and exclusive expressway artery facilitating traffic to and fro Guangzhou and Zhuhai's Hengqin on the western bank of the PRD region, which comprises the Western Delta Route, Phase IV West and its extension and Second Hengqin Bridge, was completed after the expressway link between Phase IV West Extension and Second Hengqin Bridge opened to traffic in the first quarter of 2017. The Western Delta Route will further benefit from the development of tourism in Hengqin and Macao.



# Including tax

## FINANCIAL REVIEW

The Group's performance for the year ended 30 June 2017 presented in RMB (million) was as follows:

<u>(HHU's share)</u>	Year ended 30 June									
	2016					2017				
	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results
<b>RMB million</b>										
Project contributions:										
GS Superhighway <sup>Note 1</sup>	1,480	1,262	(414)	(277)	571	<b>1,560</b>	<b>1,343</b>	<b>(460)</b>	<b>(324)</b>	<b>559</b>
Western Delta Route	522	443	(181)	(222)	40	<b>599</b>	<b>516</b>	<b>(211)</b>	<b>(198)</b>	<b>107</b>
<b>Total</b>	<b>2,002</b>	<b>1,705</b>	<b>(595)</b>	<b>(499)</b>	<b>611</b>	<b>2,159</b>	<b>1,859</b>	<b>(671)</b>	<b>(522)</b>	<b>666</b>
YoY change						+8%	+9%	+13%	+5%	+9%
Corporate results:										
Bank deposits interest income					27					24
Interest income from loans made by the Group to a JV company					9					-
Other income					1					-
General and administrative expenses and depreciation					(40)					(41)
Finance costs					(4)					-
Income tax expenses					(1)					-
<b>Sub-total</b>					(8)					(17)
<b>Profit before net exchange loss (after deduction of related income tax)</b>					603					<b>649</b>
YoY change										+8%
Net exchange loss (after deduction of related income tax)					(82)					(17)
<b>Profit for the year</b>					521					<b>632</b>
Profit attributable to non-controlling interests					(10)					(9)
<b>Profit attributable to owners of the Company</b>					511					<b>623</b>
YoY change										+22%

Note 1: Excluding exchange differences on US Dollar and HK Dollar loans, and related income tax.

The Group's share of the aggregate net toll revenue of its expressway projects increased by 8% from RMB2,002 million to RMB2,159 million. The GS Superhighway's growth momentum is persistent with net toll revenue increased by 6%. The Western Delta Route continued to record healthy growth, with a 15% increase in net toll revenue to RMB599 million. The GS Superhighway and Western Delta Route contributed 72% (RMB1,560 million) and 28% (RMB599 million) respectively to the Group's share of aggregate net toll revenues.

In March 2016, the PRC government promulgated a circular in relation to VAT reform under which VAT would replace business tax nationwide with effect from 1 May 2016 (the "Circular"). Under the Circular, both the GS Superhighway JV and West Route JV have adopted the simplified taxation method and the VAT payable is calculated at the effective rate of 2.86% (as compared with business tax calculation at a rate of 3% prior to 1 May 2016). Overall, VAT reform had a slightly positive impact on the Group's share of net toll revenue and net profit during FY17.

With healthy core operation, the Group's share of the aggregate EBITDA of toll expressways (excluding exchange differences on the GS Superhighway JV's US Dollar and HK Dollar loans as well as the related income tax) increased by 9% from RMB1,705 million to RMB1,859 million. Despite a RMB7 million one-off expenses was incurred for finalising Western Delta Route's project cost during FY17, the Western Delta Route recorded a healthy 16% EBITDA growth from RMB443 million to RMB516 million.

The Group's share of depreciation and amortisation charges of the GS Superhighway JV increased by 10% from RMB414 million to RMB460 million as a result of persistent growth in its full-length equivalent traffic and completion of additional improvement works. With healthy growth in full-length equivalent traffic of the Western Delta Route, its depreciation and amortisation charges also increased. Hence, the Group's share of aggregate depreciation and amortisation charges increased by 13% to RMB671 million.

During FY17, the increase in interest expenses of the GS Superhighway JV was mainly attributable to an additional 8-year bank loan of RMB2 billion (JV company level) drawn in August 2016 to reimburse past capital expenditure funded by its shareholders and the rise of US interest rate by 0.25% each in March and June 2017. In June and December 2016, the West Route JV entered into agreements for a 10% discount on individual bank loans' borrowing rates to 4.635% and 4.41%, which outstanding principal were RMB539 million and RMB3,316 million (JV company level) respectively. Moreover, the West Route JV's new financial plan was completed during the first half of FY16. The increase in registered capital in the West Route JV totalling approximately RMB636 million was completed. After the additional project bank loan raised by the West Route JV in October 2015, the remaining shareholder's loan advanced by the Group to the West Route JV as interim financing was repaid. Thus, the interest expenses of the West Route JV fell. In addition, a series of PBOC's lending rate cuts for RMB loan announced on 21 November 2014, 28 February 2015, 10 May 2015, 27 June 2015, 25 August 2015 and 23 October 2015 benefited the West Route JV by lowering its finance costs.

The EIT rate applicable to the GS Superhighway JV is 25% since 2012 and until the expiry of its contractual operation period on 30 June 2027. No provision for PRC EIT has been made for the West Route JV as it has available tax losses to offset against its taxable profits.

The increase in the GS Superhighway's net toll revenue was mainly offset by the increased interest expenses as a result of the additional RMB2 billion bank loan leading to a 2% decrease in its net profit to RMB559 million. Due to the continuous growth in toll revenue and traffic, as well as the PBOC lending rate cuts, the Western Delta Route first turned profitable in FY16, and net profit shared by the Group surged 169% yoy to RMB107 million from RMB40 million in the last year. Overall, the aggregate net profit of the toll expressway projects (excluding exchange differences on the GS Superhighway JV's US Dollar and HK Dollar loans as well as the related income tax) increased by 9%, from RMB611 million to RMB666 million.

The Group repaid all the corporate bank loans by the second half of FY16, resulting in a decrease in finance costs during FY17. On the other hand, following the full repayment by the West Route JV by October 2015, the shareholder's loan advanced by the Group to the West Route JV as interim financing decreased by RMB788 million during the first half of FY16, reducing the Group's interest income. Thus, the Group's total interest income (including that on bank deposits and shareholder's loan advanced to the West Route JV) decreased from RMB36 million to RMB24 million during FY17. Given the drop in finance costs was offset by the fall in total interest income, the net interest income at corporate level decreased from RMB32 million to RMB24 million, resulting in an increase in loss from RMB8 million in the last year to a loss of RMB17 million at the corporate level.

The Group's profit before net exchange loss (after deduction of the related income tax) increased by 8% from RMB603 million to RMB649 million during FY17. This was mainly attributable to the increase in net profit of the toll expressway projects was partly offset by the fall in net interest income at corporate level. In addition, the net exchange loss on the GS Superhighway JV's US Dollar and HK Dollar loans shared by the Group during FY17 substantially reduced to RMB17 million from RMB82 million in the last year. As a result, the profit attributable to owners of the Company increased by 22% from RMB511 million to RMB623 million or RMB20.21 cents per share, as core operations grew and net exchange loss narrowed.

Pursuant to the joint venture agreement, the Group's profit sharing ratio in the GS Superhighway JV has been adjusted from 48% to 45% starting from 1 July 2017 for the next ten years until the end of its contractual operation period, i.e. 30 June 2027. Such adjustment will have a one-off impact on the Group's results for FY18 as compared to FY17. Nevertheless, the Group believes that HHI's net profit for FY18 will be supported by the healthy core operations of the GS Superhighway and the Western Delta Route, as well as the fall in the latter's interest expenses. However, possible depreciation of RMB against US Dollar and HK Dollar as well as the rise of US interest rate will impact the GS Superhighway JV's US Dollar and HK Dollar loans. For every 1% depreciation in RMB, the Group's net profit will drop by approximately RMB9 million, while for every 1%

increase in US interest rate, the Group's net profit will drop by approximately RMB9 million. Overall, the Company remains positive on the future performance of the Group, given the Group's net profit growth is supported by (i) the persistent growth momentum of the GS Superhighway and the Western Delta Route; (ii) that the West Route JV's EBITDA (JV company level) increased to approximately RMB1,032 million in FY17. The Western Delta Route has been achieving healthy growth since opening and will continue to benefit from prosperous economic and road network developments including the soon-to-open HZM Bridge; and (iii) that the interest expenses of the West Route JV is expected to drop in FY18 given the 10% discount on individual bank loans' borrowing rates and the prepayment of bank loans. Furthermore, the West Route JV also utilised its surplus cash on hand to fully prepay bank loan principals of RMB372 million and RMB435 million (JV company level) due in 2017 and 2018 respectively by end of June 2017.

In light of HHI's strong financial position, the Board believes that the Group's target payout ratio of 100% on a full-year basis is sustainable. Net cash at HHI corporate level of RMB469 million as at 30 June 2017 and steady dividend from the GS Superhighway JV provide solid bases for strong dividend. It is expected that dividend from the GS Superhighway JV to the Group will amount to approximately RMB600 million in FY18, which is similar to the Group's proposed annual regular dividend to shareholders in FY17. Moreover, in view of the healthy growth in toll revenue, the West Route JV targets to distribute dividend to the Group starting from 2020 the earliest.

The financial position of the Group comprises the assets and liabilities of HHI corporate level and the Group's share of assets and liabilities of its two PRC JV companies, namely the GS Superhighway JV and the West Route JV.

## HHI Corporate Level

	30 June 2016	30 June 2017		30 June 2016	30 June 2017
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	652	469	Other liabilities	7	11
Other assets	6	7			
	658	476		7	11
			Net assets value of HHI corporate	651	465

## Share of JV Companies

### GS Superhighway JV (HHI's shared portion)

	30 June 2016	30 June 2017		30 June 2016	30 June 2017
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	212	379	Bank loans		
Concession intangible assets	5,239	4,870	- USD	1,248	1,240
Property & equipment	212	208	- HKD	155	140
Other assets	43	27	- RMB	-	900
			Other liabilities	665	647
	5,706	5,484		2,068	2,927
			Net assets value of GS Superhighway JV	3,638	2,557

### West Route JV (HHI's shared portion)

	30 June 2016	30 June 2017		30 June 2016	30 June 2017
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	50	61	Bank loans	4,028	3,718
Concession intangible assets	6,392	6,231	Other liabilities	253	274
Property & equipment	253	225			
Other assets	16	10			
	6,711	6,527		4,281	3,992
			Net assets value of West Route JV	2,430	2,535

	30 June 2016	30 June 2017		30 June 2016	30 June 2017
	RMB million	RMB million		RMB million	RMB million
			<b>Total liabilities</b>	6,356	6,930
			Equity attributable to owners of the Company	6,673	5,526
			Non-controlling interests	46	31
<b>Total Assets</b> <sup>Note 1</sup>	13,075	12,487	<b>Total Equity &amp; Liabilities</b>	13,075	12,487
			Total net assets	6,719	5,557

Note 1: Excluding elimination of the Group's balance with JV company prepared under proportionate consolidation method.



### ***Sound Financial Plan***

During the first half of FY16, financial positions of the JV companies were strengthened by (i) loan rescheduling of the GS Superhighway JV to extend the maturity dates of the existing US Dollar loans and HK Dollar loan by six years from 2018 and 2019 to 2025. The loan rescheduling helped accelerate the dividend distributions by the GS Superhighway JV to the Group and further enhance the Group's liquidity; (ii) loan rescheduling of the West Route JV to extend the maturity date of bank loan with outstanding principal of RMB569 million (JV company level) by five years from 2019 to 2024 which helped to improve financing flexibility; (iii) West Route JV's new financial plan, which helped to reduce the West Route JV's debt and resulted in the full repayment of RMB682 million of net shareholder's loan to the Group by October 2015. Hence, the West Route JV is capable to utilise its surplus cash on hand to prepay bank loan principals, and it targets to distribute dividend to the Group starting from 2020 the earliest.

In August 2016, the GS Superhighway JV entered into agreement with the bank for an additional 8-year bank loan facility amounting to RMB2 billion to reimburse past capital expenditure funded by its shareholders. This helped accelerating the dividend distributions by the GS Superhighway JV to the Group and the Group had received after-tax dividend amounting to RMB912 million during the first half of FY17. It has also strengthened the Group's financial position.

### ***Liquidity and Financial Resources***

The Group's debt balance comprises its share of the non-recourse bank loans of its JV companies, whereas the Group has no debt at corporate level. The total debt to assets (including share of total assets of JV companies) ratio and gearing ratio (net debt to equity attributable to owners of the Company) as at 30 June 2017 were shown below. The Group's net cash on hand (excluding JV companies), amounted to RMB469 million.

## HHI Corporate Level

	30 June 2016	30 June 2017	30 June 2016	30 June 2017
	RMB million	RMB million	RMB million	RMB million
<b>Bank balances and cash</b>				
- Bank balances and cash	652	469	-	-
	<u>652</u>	<u>469</u>	<u>-</u>	<u>-</u>
<b>Corporate debt</b>				
- Bank loan				
<b>Net cash on hand : RMB469 million (30 June 2016: RMB652 million)</b>				

## Share of JV Companies

	30 June 2016	30 June 2017	30 June 2016	30 June 2017
	RMB million	RMB million	RMB million	RMB million
<b>Bank balances and cash</b>				
- Bank balances and cash	262	440		
	<u>262</u>	<u>440</u>		
<b>Bank loans</b>				
- GS Superhighway			1,403	2,280
- Western Delta Route			4,028	3,718
			<u>5,431</u>	<u>5,998</u>
<b>Net debt <sup>Note 1</sup> : RMB5,558 million (30 June 2016: RMB5,169 million)</b>				

Note 1: Total debt less bank balances and cash

	30 June 2016	30 June 2017
	RMB million	RMB million
Total debt		
- Company and subsidiaries	-	-
- Share of JV companies <sup>Note 1</sup>	5,809	6,399
Net debt <sup>Note 2</sup>	4,895	5,490
Total assets (including share of JV companies' total assets) <sup>Note 3</sup>	13,447	12,881
Equity attributable to owners of the Company	6,673	5,526
Total debt/total assets ratio	43%	50%
Gearing ratio	73%	99%

Note 1: The Group's share of JV companies' debt is defined as bank and other loans together with balance with JV partner.

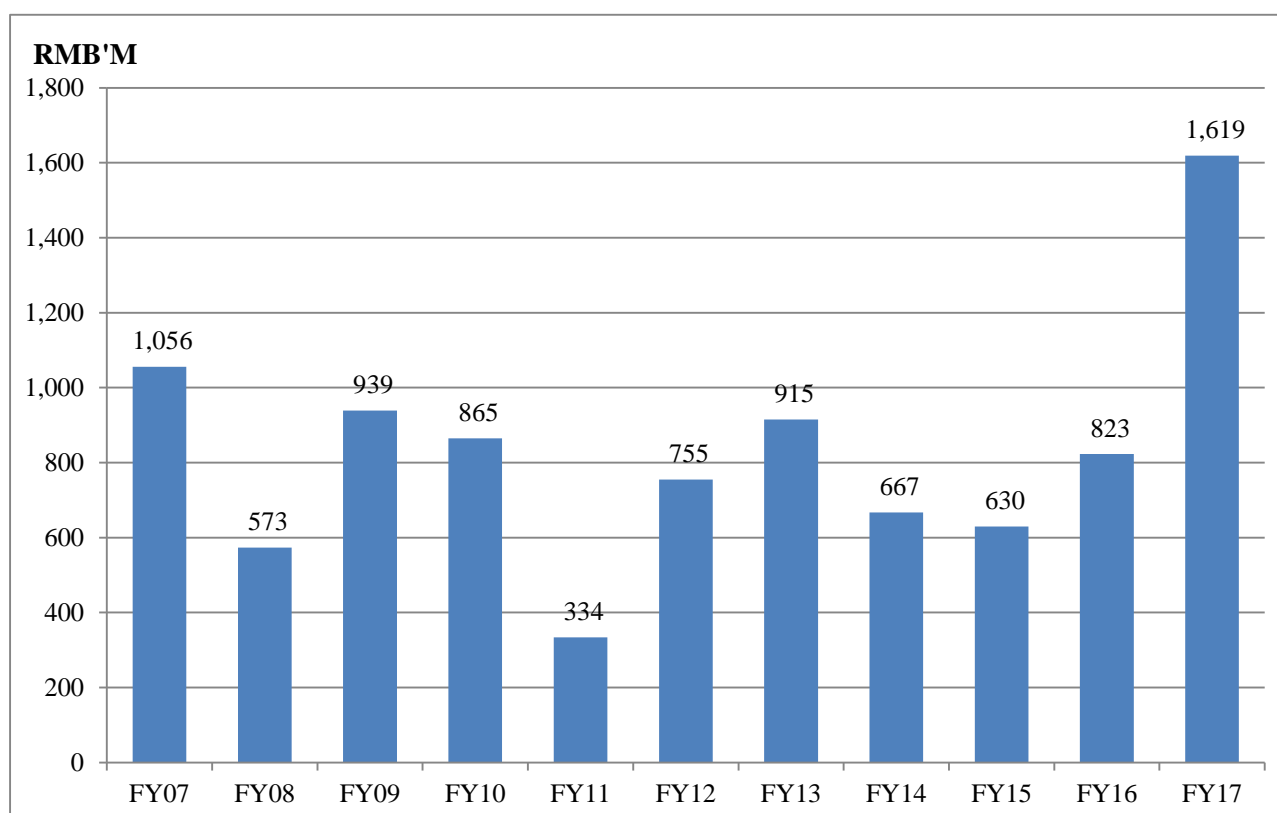
Note 2: Net debt is defined as total debt (including share of JV companies) less total bank balances and cash (including share of JV companies).

Note 3: Concession intangible assets are not valued at market price but are booked at historical cost less amortisation / depreciation.

The major source of the Group's cash inflow during FY17 was dividend received from the GS Superhighway JV. On the other hand, its major cash outflow was the payment of dividend to the Company's shareholders. The Group will continue to optimise its balance sheet, improve its cash flow and strengthen its financial position.

Given no debt at the corporate level, the Group enjoys a strong and solid financial position. As at 30 June 2017, HHI corporate level net cash on hand (excluding JV companies) amounted to RMB469 million (30 June 2016: RMB652 million), or RMB0.15 per share (30 June 2016: RMB0.21 per share) and rose to RMB670 million as at 4 August 2017. The cash on hand of RMB469 million, together with available banking facilities of HKD500 million (or RMB434 million) and stable cash dividend from the GS Superhighway JV will provide sufficient financial resources for its operations and potential investments.

***Cash Dividend (Net of Tax) from the GS Superhighway JV to the Group (RMB million)***



As at 30 June 2017, 99.8% (30 June 2016: 99.9%) of the Group's bank balances and cash (excluding JV companies) on hand were denominated in RMB and 0.2% (30 June 2016: 0.1%) in HK Dollar. The bank balances and cash on hand of the JV companies shared by the Group amounted to RMB440 million (30 June 2016: RMB262 million). The Group received cash dividend from the GS Superhighway JV of RMB1,619 million during FY17. In August 2016, the GS Superhighway JV entered into agreement with the bank for the additional 8-year bank loan facility of RMB2 billion to reimburse past capital expenditure funded by its shareholders. Subsequently, the GS Superhighway JV distributed dividend of RMB912 million (net of tax) to the Group out of this

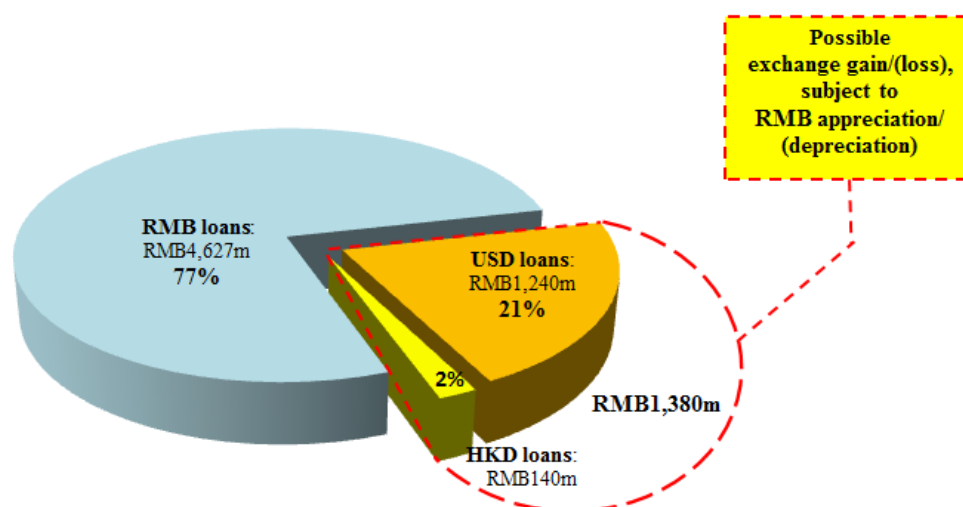
loan. The reduction in the cash dividend during FY08 and FY11 were mainly brought about by the repatriation of registered capital by the GS Superhighway JV to the Group and the intercompany borrowings provided by the GS Superhighway JV to the West Route JV respectively. Cash dividend from the GS Superhighway JV restored to their normal levels since FY12. Cash dividend increased during FY13 as a result of the full repayment of intercompany borrowings by the West Route JV to the GS Superhighway JV in December 2012, and the GS Superhighway JV's distribution of a dividend of RMB351 million to the Group out of these funds. As at 30 June 2017, the after-tax cash dividend receivable from the GS Superhighway JV to the Group had been reduced to RMB610 million (30 June 2016: RMB1.6 billion). The cash dividend received and receivable from the GS Superhighway JV provide sufficient financial resources for the Group's operations and potential investments.

### ***Bank and Other Borrowings***

As at 30 June 2017, the Group has no debt at the corporate level, whereas the total bank and other borrowings of the JV companies shared by the Group (including US Dollar bank loans of equivalent to RMB1,240 million, HK Dollar bank loan of equivalent to RMB140 million, RMB bank loans of RMB4,618 million and RMB other borrowing of RMB9 million), amounted to approximately RMB6,007 million (30 June 2016: RMB5,439 million) with the following profile:

- (a) 99.9% (30 June 2016: 99.9%) consisted of bank loans and 0.1% (30 June 2016: 0.1%) of other loan; and
- (b) 77% (30 June 2016: 74%) was denominated in RMB; 21% (30 June 2016: 23%) was denominated in US Dollar and 2% (30 June 2016: 3%) was denominated in HK Dollar. The Group may incur exchange gain or loss from the US Dollar and HK Dollar loans subject to RMB appreciation or depreciation.

### **Breakdown of HHI's Share of JV Loans<sup>Note 1</sup> by Currency (As at 30 June 2017)**



Note 1: Represent the Group's share of JV companies' bank loans of RMB5,998 million and other borrowings of RMB9 million.

### ***Debt Maturity Profile***

As at 30 June 2017, the maturity profile of the bank and other borrowings of the JV companies shared by the Group (whereas the Group had no debt at corporate level) were shown below, together with the corresponding figures as at 30 June 2016:

#### **HHI Corporate Level**

	30 June 2016		30 June 2017	
	RMB million	%	RMB million	%
Repayable within 1 year	-	-	-	-

#### **Share of JV Companies**

	30 June 2016		30 June 2017	
	RMB million	%	RMB million	%
Repayable within 1 year	65	1%	172	3%
Repayable between 1 and 5 years	1,521	28%	2,316	38%
Repayable beyond 5 years	3,853	71%	3,519	59%
	5,439	100%	6,007	100%

As at 30 June 2017, 59% (30 June 2016: 71%) of the bank loans and other borrowings of the JV companies shared by the Group were repayable beyond 5 years. Thus, the risk of refinancing the bank loans and other borrowings will continue to remain relatively low.

### ***Interest Rate and Exchange Rate Exposure***

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

### ***Treasury Policies***

The Group continues to adopt prudent and conservative treasury policies in its financial and funding management. Its liquidity and financial resources are reviewed on a regular basis, with a view to minimise its funding costs and enhance return on its financial assets. Most of the Group's cash is placed in deposits denominated in RMB. Holding RMB suits the Group's PRC-based operations, and it can earn higher interest income from RMB deposits than HK Dollar deposits. As at 30 June 2017, 99.8% of the Group's bank balances and cash (excluding JV companies) were denominated in RMB and 0.2% were denominated in HK Dollar. The Group's overall treasury yield on bank deposits was 2.7% during FY17, compared to 3.3% in FY16. The Group will continue to strengthen its treasury management and evaluate the options available for improving the yields on its substantial cash-deposit portfolio.

***Contingent Liabilities***

As at 30 June 2017, 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 period ended 30 June 2017.

## **OTHER INFORMATION**

### **Review of Annual Results**

The Audit Committee of the Company had reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the Group's annual results for the year ended 30 June 2017.

### **Scope of Work of the Company's auditor in respect of the Preliminary Announcement**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

### **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 year ended 30 June 2017.

### **Corporate Governance Practices**

Throughout the year ended 30 June 2017, the Company complied with all the code provisions as set out in the CG Code, except for the deviation from code provisions A.5.1 and A.5.6 of the CG Code which are explained below.

#### ***Code Provision A.5.1***

The Company does not consider it necessary to have a nomination committee as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole regularly reviews the plans for orderly succession for appointments to the Board and its structure, size, composition and diversity. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in the case of Independent Non-executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director(s) will normally be made by the Chairman and/or the Managing Director and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

***Code Provision A.5.6***

The Company does not consider it necessary to have a policy concerning diversity of board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider a formal board diversity policy will provide measurable benefits to enhance the effectiveness of the Board.



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the Year Ended 30 June 2017*

	<u>NOTES</u>	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
Other income	4	39,543	<b>29,060</b>	48,221	<b>33,135</b>
Depreciation		(190)	<b>(190)</b>	(229)	<b>(218)</b>
General and administrative expenses		(40,161)	<b>(40,578)</b>	(48,475)	<b>(46,296)</b>
Finance costs	5	(3,793)	<b>(19)</b>	(4,617)	<b>(22)</b>
Share of results of joint ventures	6	556,178	<b>680,353</b>	669,260	<b>776,308</b>
Profit before tax		551,577	<b>668,626</b>	664,160	<b>762,907</b>
Income tax expense	7	(31,086)	<b>(37,033)</b>	(37,441)	<b>(42,284)</b>
Profit for the year	8	520,491	<b>631,593</b>	626,719	<b>720,623</b>
Other comprehensive (expense) income					
Item that will not be reclassified to profit or loss:					
Exchange loss arising on translation to presentation currency		-	-	(599,864)	<b>(107,554)</b>
Item that may be reclassified subsequently to profit or loss:					
Exchange (loss) gain arising on translation of foreign operations		(13,581)	<b>7,793</b>	-	-
Total comprehensive income for the year		506,910	<b>639,386</b>	26,855	<b>613,069</b>
Profit for the year attributable to:					
Owners of the Company		511,332	<b>622,671</b>	615,702	<b>710,451</b>
Non-controlling interests		9,159	<b>8,922</b>	11,017	<b>10,172</b>
		520,491	<b>631,593</b>	626,719	<b>720,623</b>
Total comprehensive income attributable to:					
Owners of the Company		497,751	<b>630,464</b>	19,845	<b>603,427</b>
Non-controlling interests		9,159	<b>8,922</b>	7,010	<b>9,642</b>
		506,910	<b>639,386</b>	26,855	<b>613,069</b>
Earnings per share	10	RMB cents	RMB cents	HK cents	HK cents
Basic and diluted		16.59	<b>20.21</b>	19.98	<b>23.05</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Interests in joint ventures	6,176,025	<b>5,171,922</b>	7,207,421	<b>5,958,054</b>
Investment	4,785	<b>4,785</b>	5,585	<b>5,513</b>
Property and equipment	473	<b>283</b>	552	<b>325</b>
	<u>6,181,283</u>	<u><b>5,176,990</b></u>	<u>7,213,558</u>	<u><b>5,963,892</b></u>
<b>Current Assets</b>				
Deposits and prepayments	691	<b>941</b>	806	<b>1,084</b>
Dividend and other receivables	19,675	<b>1,662</b>	22,960	<b>1,915</b>
Bank balances and cash	652,435	<b>469,067</b>	761,392	<b>540,365</b>
	<u>672,801</u>	<u><b>471,670</b></u>	<u>785,158</u>	<u><b>543,364</b></u>
<b>Total Assets</b>	<u><u>6,854,084</u></u>	<u><u><b>5,648,660</b></u></u>	<u><u>7,998,716</u></u>	<u><u><b>6,507,256</b></u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	270,603	<b>270,603</b>	308,169	<b>308,169</b>
Share premium and reserves	6,402,017	<b>5,255,732</b>	7,478,779	<b>6,058,169</b>
	<u>6,672,620</u>	<u><b>5,526,335</b></u>	<u>7,786,948</u>	<u><b>6,366,338</b></u>
Equity attributable to owners of the Company	6,672,620	<b>5,526,335</b>	7,786,948	<b>6,366,338</b>
Non-controlling interests	46,554	<b>30,826</b>	54,328	<b>35,511</b>
	<u>6,719,174</u>	<u><b>5,557,161</b></u>	<u>7,841,276</u>	<u><b>6,401,849</b></u>
<b>Total Equity</b>	<u><u>6,719,174</u></u>	<u><u><b>5,557,161</b></u></u>	<u><u>7,841,276</u></u>	<u><u><b>6,401,849</b></u></u>
<b>Non-current Liability</b>				
Deferred tax liability	127,412	<b>80,215</b>	148,690	<b>92,408</b>
	<u>127,412</u>	<u><b>80,215</b></u>	<u>148,690</u>	<u><b>92,408</b></u>
<b>Current Liability</b>				
Payables and accruals	7,498	<b>11,284</b>	8,750	<b>12,999</b>
	<u>7,498</u>	<u><b>11,284</b></u>	<u>8,750</u>	<u><b>12,999</b></u>
<b>Total Liabilities</b>	<u><u>134,910</u></u>	<u><u><b>91,499</b></u></u>	<u><u>157,440</u></u>	<u><u><b>105,407</b></u></u>
<b>Total Equity and Liabilities</b>	<u><u>6,854,084</u></u>	<u><u><b>5,648,660</b></u></u>	<u><u>7,998,716</u></u>	<u><u><b>6,507,256</b></u></u>
<b>Cash and cash equivalents</b>	<u><u>652,435</u></u>	<u><u><b>469,067</b></u></u>	<u><u>761,392</u></u>	<u><u><b>540,365</b></u></u>

## Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2017

### 1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company's functional currency and presentation currency are Renminbi ("RMB"). The presentation of Hong Kong Dollar ("HKD") amounts in these consolidated financial statements is for information purpose only.

### 2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

#### Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year:

IFRSs (Amendments)	Annual Improvements to IFRSs 2012 - 2014 Cycle
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 1 (Amendments)	Disclosure Initiative
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants

#### **IAS 16 and IAS 38 (Amendments) *Clarification of Acceptable Methods of Depreciation and Amortisation***

The Group has applied the IAS 16 and IAS 38 (Amendments) "Clarification of Acceptable Methods of Depreciation and Amortisation" for the first time in the current year. IAS 38 (Amendments) "Intangible Assets" introduce a rebuttable presumption that the revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue, or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

In addition, the amendments also clarify that in choosing an appropriate amortisation method an entity could determine the predominant limiting factor that is inherent in the intangible asset.

The Group has applied the amendments prospectively in the current year. The amendments have had no material impact on the financial position or performance of the Group upon adoption on 1 July 2016 as the Group has not used a revenue-based method for the calculation of amortisation of its intangible assets.

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

#### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Annual Improvements to IFRS Standards 2014 – 2016 Cycle <sup>2</sup>
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>3</sup>
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>3</sup>
IFRS 9	Financial Instruments <sup>3</sup>
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
IFRS 15	Revenue from Contracts with Customers and related Amendments <sup>3</sup>
IFRS 16	Leases <sup>4</sup>
IFRS 17	Insurance Contracts <sup>5</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>4</sup>
IAS 7 (Amendments)	Disclosure Initiative <sup>1</sup>
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
IAS 40 (Amendments)	Transfers of Investment Property <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined

#### **IFRS 9 *Financial Instruments***

IFRS 9 introduces (i) new requirements for the classification and measurement of financial assets, financial liabilities and general hedge accounting; (ii) impairment requirements for financial assets; and (iii) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subjected to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2018 and the application of IFRS 9 will not have significant impact on amounts reported in the consolidated financial statements.

Other than disclosed above, the Directors anticipate that the application of the other new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

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

Information reported to the chief operating decision maker, including segment revenue, earnings before interest, tax, depreciation and amortisation ("EBITDA"), depreciation and amortisation, interest and tax, and segment results, is more specifically focused on individual toll expressways projects jointly operated and managed by the Group and the relevant joint venture partner. Accordingly, the Group's reporting and operating segments under IFRS 8 "Operating Segments" are therefore as follows:

- Guangzhou-Shenzhen Superhighway ("GS Superhighway")
- Western Delta Route

Starting from the year ended 30 June 2017, the management simplified disclosure to reflect full operation of Western Delta Route as a whole instead of separated as Phases I, II and III of the Western Delta Route. The comparative figures have been restated for consistent presentation purpose.

Information regarding the above segments is reported below.

#### Segment revenue and results

	2016					2017				
	Segment revenue RMB'000	EBITDA RMB'000	Depreciation and amortisation RMB'000	Interest and tax RMB'000	Segment results RMB'000	Segment revenue RMB'000	EBITDA RMB'000	Depreciation and amortisation RMB'000	Interest and tax RMB'000	Segment results RMB'000
GS Superhighway	1,479,816	1,261,771	(414,320)	(276,685)	570,766	<b>1,560,590</b>	<b>1,343,096</b>	<b>(460,490)</b>	<b>(324,108)</b>	<b>558,498</b>
Western Delta Route	522,108	442,905	(181,722)	(221,257)	39,926	<b>598,673</b>	<b>515,856</b>	<b>(210,161)</b>	<b>(198,386)</b>	<b>107,309</b>
Total	<u>2,001,924</u>	<u>1,704,676</u>	<u>(596,042)</u>	<u>(497,942)</u>	610,692	<u><b>2,159,263</b></u>	<u><b>1,858,952</b></u>	<u><b>(670,651)</b></u>	<u><b>(522,494)</b></u>	<u><b>665,807</b></u>
Corporate interest income from bank deposits					26,869					23,539
Corporate interest income from loans made by the Group to a joint venture					9,166					-
Other income					1,179					-
Corporate general and administrative expenses and depreciation					(40,351)					(40,768)
Corporate finance costs					(3,793)					(19)
Corporate income tax expense					(1,244)					(7)
Net exchange loss (net of related income tax) (Note)					(82,027)					(16,959)
Profit for the year					520,491					<b>631,593</b>
Profit for the year attributable to non-controlling interests					(9,159)					<b>(8,922)</b>
Profit for the year attributable to owners of the Company					<u>511,332</u>					<u><b>622,671</b></u>

Note: Net exchange loss (net of related income tax) is composed of the Group's share of the net exchange loss (net of related income tax) of a joint venture of RMB22,480,000 (2016: RMB84,356,000) and the net exchange gain of the Group of RMB5,521,000 (2016: RMB2,329,000).

## (FOR INFORMATION PURPOSE ONLY)

	2016				Segment results HK\$'000	2017				Segment results HK\$'000
	Segment revenue HK\$'000	EBITDA HK\$'000	Depreciation and amortisation HK\$'000	Interest and tax HK\$'000		Segment revenue HK\$'000	EBITDA HK\$'000	Depreciation and amortisation HK\$'000	Interest and tax HK\$'000	
GS Superhighway	1,779,673	1,517,226	(498,181)	(332,801)	686,244	<b>1,779,681</b>	<b>1,531,445</b>	<b>(525,081)</b>	<b>(369,679)</b>	<b>636,685</b>
Western Delta Route	627,777	532,621	(218,068)	(266,428)	48,125	<b>682,726</b>	<b>588,608</b>	<b>(239,528)</b>	<b>(226,385)</b>	<b>122,695</b>
<b>Total</b>	<b>2,407,450</b>	<b>2,049,847</b>	<b>(716,249)</b>	<b>(599,229)</b>	734,369	<b>2,462,407</b>	<b>2,120,053</b>	<b>(764,609)</b>	<b>(596,064)</b>	<b>759,380</b>
Corporate interest income from bank deposits					32,566					<b>26,950</b>
Corporate interest income from loans made by the Group to a joint venture					11,348					-
Other income					1,448					-
Corporate general and administrative expenses and depreciation					(48,704)					<b>(46,514)</b>
Corporate finance costs					(4,617)					<b>(22)</b>
Corporate income tax expense					(1,539)					<b>(8)</b>
Net exchange loss (net of related income tax) (Note)					(98,152)					<b>(19,163)</b>
Profit for the year					626,719					<b>720,623</b>
Profit for the year attributable to non-controlling interests					(11,017)					<b>(10,117)</b>
Profit for the year attributable to owners of the Company					615,702					<b>710,451</b>

Note: Net exchange loss (net of related income tax) is composed of the Group's share of the net exchange loss (net of related income tax) of a joint venture of HK\$25,348,000 (2016: HK\$101,011,000) and the net exchange gain of the Group of HK\$6,185,000 (2016: HK\$2,859,000).

The segment revenue represents the Group's share of joint ventures' toll revenue received and receivable (net of business tax/value-added tax) from the operations of toll expressways in the PRC based on the profit-sharing ratios specified in the relevant joint venture agreements. All of the segment revenue reported above is earned from external customers.

The EBITDA, depreciation and amortisation, and interest and tax represent the Group's share of joint ventures' EBITDA, depreciation and amortisation, and interest and tax from the operations of toll expressways in the PRC before net exchange gain/loss, based on the profit-sharing ratios specified in the relevant joint venture agreements.

The segment results represent (i) the Group's share of joint ventures' results from the operations of toll expressways in the PRC before net exchange gain/loss (net of related income tax) based on the profit-sharing ratios specified in the relevant joint venture agreements; (ii) net of the withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures; and (iii) amortisation of additional cost of investment in joint ventures. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The total segment results can be reconciled to the share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income as follows:

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
Total segment results	610,692	<b>665,807</b>	734,369	<b>759,380</b>
Add:				
Net exchange loss (net of related income tax)	(84,356)	<b>(22,480)</b>	(101,011)	<b>(25,348)</b>
Withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures (Note 7)	<u>29,842</u>	<u><b>37,026</b></u>	<u>35,902</u>	<u><b>42,276</b></u>
Share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income	<u>556,178</u>	<u><b>680,353</b></u>	<u>669,260</u>	<u><b>776,308</b></u>

#### Other segment information

The below other segment information, included in the measure of segment profit or loss, represents the Group's share of interest income of the joint ventures. Such amount relating to the joint ventures are eliminated under equity method of accounting to reconcile from "Segment total" to "Consolidated total".

<u>Year</u>	<u>GS</u> <u>Superhighway</u> RMB'000	<u>Western</u> <u>Delta Route</u> RMB'000	<u>Segment</u> <u>total</u> RMB'000	<u>Elimination</u> RMB'000	<u>Unallocated</u> RMB'000	<u>Consolidated</u> <u>total</u> RMB'000
2016	<u>2,603</u>	<u>1,278</u>	<u>3,881</u>	<u>(3,881)</u>	<u>36,035</u>	<u>36,035</u>
<b>2017</b>	<u><b>2,015</b></u>	<u><b>723</b></u>	<u><b>2,738</b></u>	<u><b>(2,738)</b></u>	<u><b>23,539</b></u>	<u><b>23,539</b></u>

(FOR INFORMATION PURPOSE ONLY)

<u>Year</u>	<u>GS</u> <u>Superhighway</u> HK\$'000	<u>Western</u> <u>Delta Route</u> HK\$'000	<u>Segment</u> <u>total</u> HK\$'000	<u>Elimination</u> HK\$'000	<u>Unallocated</u> HK\$'000	<u>Consolidated</u> <u>total</u> HK\$'000
2016	<u>3,106</u>	<u>1,535</u>	<u>4,641</u>	<u>(4,641)</u>	<u>43,914</u>	<u>43,914</u>
<b>2017</b>	<u><b>2,309</b></u>	<u><b>821</b></u>	<u><b>3,130</b></u>	<u><b>(3,130)</b></u>	<u><b>26,950</b></u>	<u><b>26,950</b></u>

## Geographical information

The operations of the Group's joint ventures are located in the PRC. All of the joint ventures' revenue from external customers was generated from the services provided in the PRC and the location of the non-current assets excluding interests in joint ventures and investment amounting to RMB283,000 (approximately HK\$325,000) (2016: RMB473,000 (approximately HK\$552,000)) are in Hong Kong.

## Segment assets and liabilities

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

## 4. OTHER INCOME

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
Interest income from:				
Bank deposits	26,869	<b>23,539</b>	32,566	<b>26,950</b>
Loans made by the Group to a joint venture (Note)	9,166	-	11,348	-
Net exchange gain	2,329	<b>5,521</b>	2,859	<b>6,185</b>
Management fee income from joint ventures	1,164	-	1,429	-
Others	15	-	19	-
	<u>39,543</u>	<u><b>29,060</b></u>	<u>48,221</u>	<u><b>33,135</b></u>

Note: Loans made by the Group to a joint venture with principal amounts of RMB788,000,000 carried interest at fixed rate of 5.75% per annum and was repaid during the year ended 30 June 2016.

## 5. FINANCE COSTS

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
Interests on bank loans (Note)	2,211	-	2,693	-
Other financial expenses	1,582	<b>19</b>	1,924	<b>22</b>
	<u>3,793</u>	<u><b>19</b></u>	<u>4,617</u>	<u><b>22</b></u>

Note: The bank loans carried interests at prevailing commercial lending rates ranging from 0.78% to 1.41% per annum and were repaid during the year ended 30 June 2016.



## 6. SHARE OF RESULTS OF JOINT VENTURES

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group and amortisation of additional cost of investments in joint ventures	636,683	<b>767,736</b>	766,064	<b>875,955</b>
Amortisation of additional cost of investments in joint ventures	(80,505)	<b>(87,383)</b>	(96,804)	<b>(99,647)</b>
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(38,456)	<b>(45,098)</b>	(46,240)	<b>(51,428)</b>
Imputed interest income recognised by the Group on interest-free registered capital contributions made by the Group	<u>38,456</u>	<u><b>45,098</b></u>	<u>46,240</u>	<u><b>51,428</b></u>
	<u>556,178</u>	<u><b>680,353</b></u>	<u>669,260</u>	<u><b>776,308</b></u>

## 7. INCOME TAX EXPENSE

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)
The tax charge comprises:				
PRC Enterprise Income Tax ("EIT")	41,009	<b>84,230</b>	49,698	<b>97,710</b>
Deferred tax	<u>(9,923)</u>	<u><b>(47,197)</b></u>	<u>(12,257)</u>	<u><b>(55,426)</b></u>
	<u>31,086</u>	<u><b>37,033</b></u>	<u>37,441</u>	<u><b>42,284</b></u>

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

The EIT charge of the Group for the year ended 30 June 2017 included an amount of RMB84,223,000 (approximately HK\$97,702,000) (2016: RMB39,765,000 (approximately HK\$48,159,000)) representing the 5% withholding tax imposed on dividends declared during the year by a joint venture of the Group of which the corresponding amount had already been provided for deferred tax in prior years in respect of undistributed earnings of a joint venture.

The income tax expense for the year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
Profit before tax	<u>551,577</u>	<u>668,626</u>	<u>664,160</u>	<u>762,907</u>
Tax at normal PRC income tax rate of 25% (2016: 25%)	137,894	<b>167,157</b>	166,040	<b>190,727</b>
Effect of different tax rates on income tax expense	(1,317)	<b>(17)</b>	(1,629)	<b>(19)</b>
Tax effect of income not taxable for tax purposes	(6,755)	<b>(7,242)</b>	(8,188)	<b>(8,258)</b>
Tax effect of expenses not deductible for tax purposes	10,467	<b>10,197</b>	12,631	<b>11,635</b>
Tax effect of share of results of joint ventures	(139,045)	<b>(170,088)</b>	(167,315)	<b>(194,077)</b>
Deferred tax on undistributed earnings of joint ventures	(9,923)	<b>(47,197)</b>	(12,257)	<b>(55,426)</b>
Withholding tax on earnings by distributed a joint venture	<u>39,765</u>	<u>84,223</u>	<u>48,159</u>	<u>97,702</u>
Income tax expense	<u>31,086</u>	<u>37,033</u>	<u>37,441</u>	<u>42,284</u>

#### 8. PROFIT FOR THE YEAR

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
Profit for the year has been arrived at after charging:				
Auditor's remuneration	1,325	<b>1,404</b>	1,602	<b>1,602</b>
Directors' emoluments	20,226	<b>15,359</b>	24,344	<b>17,475</b>
Other staff costs	<u>11,202</u>	<u>16,202</u>	<u>13,577</u>	<u>18,533</u>
Total staff costs	<u>31,428</u>	<u>31,561</u>	<u>37,921</u>	<u>36,008</u>
Depreciation of property and equipment	<u>190</u>	<u>190</u>	<u>229</u>	<u>218</u>

## 9. DIVIDENDS

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
Dividends paid and recognised as a distribution during the year:				
Interim dividend for the year ended 30 June 2017 paid of RMB8.6 cents (equivalent to HK9.59416 cents) (2016: for the year ended 30 June 2016 of RMB 8.4 cents (equivalent to HK9.97370 cents )) per share	258,862	<b>275,647</b>	307,359	<b>295,662</b>
Final dividend for the year ended 30 June 2016 paid of RMB8.2 cents (equivalent to HK9.54840 cents) (2016: for year ended 30 June 2015 paid of RMB8.4 cents (equivalent to HK10.16650 cents)) per share	258,862	<b>246,840</b>	313,300	<b>294,039</b>
Special final dividend for the year ended 30 June 2016 paid of RMB 40 cents (equivalent to HK 46.57760 cents) (2016: for year ended 30 June 2015 paid of RMB18 cents (equivalent to HK21.78540 cents)) per share	554,704	<b>1,254,262</b>	671,359	<b>1,434,336</b>
	<u>1,072,428</u>	<u><b>1,776,749</b></u>	<u>1,292,018</u>	<u><b>2,024,037</b></u>
Final dividend for year ended 30 June 2017 proposed of RMB11.6 cents (equivalent to HK13.58986 cents) (2016: for year ended 30 June 2016 of RMB8.2 cents (equivalent to HK9.54840 cents)) per share	252,699	<b>357,476</b>	294,252	<b>418,797</b>
Special final dividend for year ended 30 June 2017 proposed of RMB10 cents (equivalent to HK 11.71540 cents) (2016: for year ended 30 June 2016 of RMB40 cents (equivalent to HK46.57760 cents)) per share	1,232,676	<b>308,169</b>	1,435,377	<b>361,032</b>
	<u>1,485,375</u>	<u><b>665,645</b></u>	<u>1,729,629</u>	<u><b>779,829</b></u>

A final dividend and special final dividend in respect of the year ended 30 June 2017 of RMB11.6 cents (equivalent to HK13.58986 cents) per share and RMB10 cents (equivalent to HK11.71540 cents) per share respectively are proposed by the Board of Directors. The dividends are subject to approval by shareholders at the forthcoming annual general meeting and have not been included as liabilities in these consolidated financial statements. The proposed final dividend and special final dividend are calculated based on the total number of issued shares at the date of approval of these consolidated financial statements.

## 10. 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:

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000 (FOR INFORMATION PURPOSE ONLY)	<u>2017</u> HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>511,332</u>	<u>622,671</u>	<u>615,702</u>	<u>710,451</u>
			<u>2016</u> Number of shares	<u>2017</u> Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share			<u>3,081,690,283</u>	<u>3,081,690,283</u>

The computation of diluted earnings per share for the year ended 30 June 2016 is under the assumption that there is no exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the period from 1 July 2015 up to the expiry date of share options (i.e. 31 July 2015). The Group had no potentially dilutive ordinary shares in issue during the period from 1 August 2015 to 30 June 2016 and the year ended 30 June 2017.

**APPENDIX-CONSOLIDATED FINANCIAL INFORMATION**  
**(PREPARED UNDER PROPORTIONATE CONSOLIDATION METHOD)**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For Year Ended 30 June 2017

(FOR INFORMATION PURPOSE ONLY)

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000	<u>2017</u> HK\$'000
Toll revenue	2,001,924	<b>2,159,263</b>	2,407,450	<b>2,462,407</b>
Revenue on construction	19,091	<b>63,605</b>	22,280	<b>73,273</b>
Turnover	2,021,015	<b>2,222,868</b>	2,429,730	<b>2,535,680</b>
Other income and other expense (Note i)	(9,197)	<b>76,801</b>	(9,898)	<b>87,778</b>
Construction costs	(19,091)	<b>(63,605)</b>	(22,280)	<b>(73,273)</b>
Provision for resurfacing charges	(34,108)	<b>(36,820)</b>	(41,010)	<b>(42,019)</b>
Toll expressway operation expenses	(245,834)	<b>(253,224)</b>	(295,703)	<b>(288,544)</b>
General and administrative expenses	(101,974)	<b>(106,011)</b>	(122,807)	<b>(120,814)</b>
Depreciation and amortisation charges	(596,231)	<b>(670,841)</b>	(716,478)	<b>(764,827)</b>
Finance costs (Note ii)	(260,502)	<b>(264,673)</b>	(313,623)	<b>(301,741)</b>
Profit before tax	754,078	<b>904,495</b>	907,931	<b>1,032,240</b>
Income tax expense	(233,587)	<b>(272,902)</b>	(281,212)	<b>(311,617)</b>
Profit for the year	<u>520,491</u>	<u><b>631,593</b></u>	<u>626,719</u>	<u><b>720,623</b></u>
Profit for the year attributable to:				
Owners of the Company	511,332	<b>622,671</b>	615,702	<b>710,451</b>
Non-controlling interests	9,159	<b>8,922</b>	11,017	<b>10,172</b>
	<u>520,491</u>	<u><b>631,593</b></u>	<u>626,719</u>	<u><b>720,623</b></u>

Note:

(i) OTHER INCOME AND OTHER EXPENSE

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000	<u>2017</u> HK\$'000
Interest income from:				
Bank deposits	30,750	<b>26,277</b>	37,207	<b>30,080</b>
Loans made by the Group to a joint venture	9,166	-	11,348	-
Imputed interest income on interest-free registered capital contributions made by the Group to a joint venture	19,228	<b>22,549</b>	23,120	<b>25,714</b>
Net exchange loss	(110,145)	<b>(24,453)</b>	(131,822)	<b>(27,613)</b>
Rental income	28,560	<b>26,941</b>	34,288	<b>30,706</b>
Others	13,244	<b>25,487</b>	15,961	<b>28,891</b>
	<u>(9,197)</u>	<u><b>76,801</b></u>	<u>(9,898)</u>	<u><b>87,778</b></u>

(ii) FINANCE COSTS

	<u>2016</u> RMB'000	<u>2017</u> RMB'000	<u>2016</u> HK\$'000	<u>2017</u> HK\$'000
Interest on:				
Bank loans	233,836	<b>241,414</b>	281,358	<b>275,217</b>
Loans made by the Group to a joint venture	4,583	-	5,674	-
Loans made by a joint venture partner to a joint venture	629	-	773	-
Imputed interest on:				
Interest-free registered capital contributions made by a joint venture partner	19,228	<b>22,549</b>	23,120	<b>25,714</b>
Others	515	<b>550</b>	620	<b>627</b>
	<u>258,791</u>	<u><b>264,513</b></u>	<u>311,545</u>	<u><b>301,558</b></u>
Other financial expenses	1,711	<b>160</b>	2,078	<b>183</b>
	<u>260,502</u>	<u><b>264,673</b></u>	<u>313,623</u>	<u><b>301,741</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(FOR INFORMATION PURPOSE ONLY)

	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	RMB'000	RMB'000	HK\$'000	HK\$'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property and equipment	466,379	<b>432,935</b>	544,264	<b>498,741</b>
Concession intangible assets	11,631,547	<b>11,101,501</b>	13,574,016	<b>12,788,929</b>
Balance with a joint venture	370,822	<b>393,372</b>	432,749	<b>453,164</b>
Investment	4,785	<b>4,785</b>	5,585	<b>5,513</b>
	<u>12,473,533</u>	<u><b>11,932,593</b></u>	<u>14,556,614</u>	<u><b>13,746,347</b></u>
<b>Current Assets</b>				
Inventories	1,173	<b>1,115</b>	1,369	<b>1,285</b>
Deposits and prepayments	1,920	<b>1,611</b>	2,241	<b>1,855</b>
Interest and other receivables	55,703	<b>42,666</b>	65,006	<b>49,151</b>
Pledged bank balances and deposits of joint ventures	252,028	<b>434,191</b>	294,116	<b>500,188</b>
Bank balances and cash				
- The Group	652,435	<b>469,067</b>	761,392	<b>540,365</b>
- Joint ventures	9,750	<b>6,431</b>	11,377	<b>7,409</b>
	<u>973,009</u>	<u><b>955,081</b></u>	<u>1,135,501</u>	<u><b>1,100,253</b></u>
<b>Total Assets</b>	<u>13,446,542</u>	<u><b>12,887,674</b></u>	<u>15,692,115</u>	<u><b>14,846,600</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	270,603	<b>270,603</b>	308,169	<b>308,169</b>
Share premium and reserves	6,402,017	<b>5,255,732</b>	7,478,779	<b>6,058,169</b>
Equity attributable to owners of the Company	6,672,620	<b>5,526,335</b>	7,786,948	<b>6,366,338</b>
Non-controlling interests	46,554	<b>30,826</b>	54,328	<b>35,511</b>
<b>Total Equity</b>	<u>6,719,174</u>	<u><b>5,557,161</b></u>	<u>7,841,276</u>	<u><b>6,401,849</b></u>
<b>Non-current Liabilities</b>				
Bank and other loans of joint ventures	5,373,629	<b>5,834,763</b>	6,271,025	<b>6,721,647</b>
Balance with a joint venture partner	370,772	<b>393,322</b>	432,691	<b>453,106</b>
Resurfacing obligations	149,406	<b>179,787</b>	174,356	<b>207,115</b>
Deferred tax liabilities	293,389	<b>248,998</b>	342,385	<b>286,846</b>
Other non-current liabilities	49,704	<b>39,409</b>	58,005	<b>45,400</b>
	<u>6,236,900</u>	<u><b>6,696,279</b></u>	<u>7,278,462</u>	<u><b>7,714,114</b></u>
<b>Current Liabilities</b>				
Provision, other payables, accruals and deposits received	369,077	<b>393,756</b>	430,713	<b>453,607</b>
Bank loans of joint ventures	65,036	<b>171,771</b>	75,897	<b>197,880</b>
Other interest payable	5,911	<b>6,523</b>	6,898	<b>7,514</b>
Tax liabilities	50,444	<b>62,184</b>	58,869	<b>71,636</b>
	<u>490,468</u>	<u><b>634,234</b></u>	<u>572,377</u>	<u><b>730,637</b></u>
<b>Total Liabilities</b>	<u>6,727,368</u>	<u><b>7,330,513</b></u>	<u>7,850,839</u>	<u><b>8,444,751</b></u>
<b>Total Equity and Liabilities</b>	<u>13,446,542</u>	<u><b>12,887,674</b></u>	<u>15,692,115</u>	<u><b>14,846,600</b></u>

## GLOSSARY

“2017 Annual General Meeting”	the annual general meeting of the Company to be held at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 26 October 2017 at 10:00 a.m.
“Average daily full-length equivalent traffic”	the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the number of days in the year under review
“Average daily toll revenue”	average daily toll revenue including tax
“Brexit”	the process by which the United Kingdom withdraws from the European Union
“Board”	the board of Directors of the Company
“CG Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Coastal Expressway”	Guangzhou-Shenzhen Coastal Expressway
“Company” or “HHI”	Hopewell Highway Infrastructure Limited
“CY”	calendar year
“Director(s)”	director(s) of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EIT”	enterprise income tax
“FY07”	the financial year ended 30 June 2007
“FY08”	the financial year ended 30 June 2008
“FY09”	the financial year ended 30 June 2009
“FY10”	the financial year ended 30 June 2010
“FY11”	the financial year ended 30 June 2011
“FY12”	the financial year ended 30 June 2012
“FY13”	the financial year ended 30 June 2013
“FY14”	the financial year ended 30 June 2014
“FY15”	the financial year ended 30 June 2015
“FY16”	the financial year ended 30 June 2016
“FY17”	the financial year ended 30 June 2017
“FY18”	the financial year ending 30 June 2018
“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
“HK\$”, “HKD” or “HK Dollar(s)”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HZM Bridge”	the Hong Kong-Zhuhai-Macao Bridge
“JV”	joint venture

“km”	kilometre
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macao”	the Macao Special Administrative Region of the PRC
“Phase I West”	Phase I of the Western Delta Route
“Phase II West”	Phase II of the Western Delta Route
“Phase III West”	Phase III of the Western Delta Route
“Phase IV West” or “Phase IV West Extension”	Western Coastal Expressway Branch Line, a non-HHI project owned by Guangdong Provincial Highway Construction Company Limited (the joint venture partner for WDR) and Guangdong Communication Enterprise Investment Company Limited
“PRC” or “China”	the People’s Republic of China
“PRD”	Pearl River Delta
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“The Belt and Road initiative”	The Silk Road Economic Belt and the 21st-Century Maritime Silk Road
“United States”	the United States of America
“USD” or “US Dollar(s)”	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” or “WDR”	the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West
“yoy” or “YoY”	year-on-year

*As at the date of this announcement, the Board comprises four Executive Directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Managing Director) and Mr. Alan Chi Hung CHAN (Deputy Managing Director); and four Independent Non-executive Directors namely, Professor Chung Kwong POON, Mr. Yuk Keung IP, Mr. Brian David Man Bun LI and Mr. Alexander Lanson LIN.*