Hopewell Highway Infrastructure Limited
合 和 公 路 基 建 有 限 公 司*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 737)

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

(in million HK dollars, unless otherwise stated)

For the year ended 30 June	2011	**2012**	% Change
Net toll revenue	2,275	**2,386**	+5%
Profit attributable to owners of the Company	1,018	**1,023**	+0.5%
EPS (HK cents)	34.39	**34.55**	+0.5%
Interim DPS (HK cents)	16.0	**18.0**	+13%
Final DPS (HK cents)	18.0	**16.0**	-11%
Total DPS (HK cents)	34.0	**34.0**	-
Net Assets per share (HK$) **(**as of 30 June)	3.0	**3.0**	-

CHAIRMAN'S STATEMENT

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

* *For identification purpose only*

Final Dividend

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

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

Closure of Register

To ascertain shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Thursday, 25 October 2012, if and only if the proposed final dividend is approved by the shareholders at the 2012 Annual General Meeting. No transfer of shares of the Company will be effected on the aforementioned book-close date. To qualify for the proposed final dividend, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 24 October, 2012.

To ascertain shareholders' eligibility to attend and vote at the 2012 Annual General Meeting to be held on Thursday, 18 October 2012, the Register of Members of the Company will be closed from Thursday, 11 October 2012 to Thursday, 18 October 2012, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the 2012 Annual General Meeting, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 10 October 2012.

Financial Status

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

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

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

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

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

Business Review

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

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

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

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

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

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

As stated in the Company's last interim report, the Group received a notice concerning the promulgation of the Guangdong Province Toll Roads Special Clean-up Implementation Proposal (the "Tariff Proposal") in February 2012 from its JV partner, Guangdong Provincial Highway Construction Company Limited. The measures being implemented under the Tariff Proposal in respect of the tariffs of all expressways within Guangdong Province were set out in the joint announcement issued on 28 March 2012 by the Company and HHL. The new tariff of the GS

Superhighway, revised in accordance with the Tariff Proposal's requirements took effect on 1 June 2012. The traffic volume of the GS Superhighway has since slightly increased, whereas its toll revenue has significantly decreased. The average daily traffic volume of the GS Superhighway increased by 6% and 7% year-on-year respectively during each of the months ended 30 June 2012 and 31 July 2012, whereas its average daily toll revenue decreased by 16.7% and 15.3% year-on-year respectively. The Group believes the impacts from the implementation of the Tariff Proposal will be stabilizing in the next few months.

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

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

Prospects

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

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

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

The opening of Phase III West during the first quarter of 2013 around Lunar New Year will complete the Western Delta Route and create synergy among Phase I West, Phase II West and Phase III West. The Group expects Phase III West to achieve operating cashflow breakeven (after taking into account interest expense payments) in its first full year of operation in FY14. The Western Delta Route, upon completion of Phase III West, will become the main artery of a regional expressway network that will span the PRD's western coast. The transportation network of both the western and eastern banks of the PRD region will become fully integrated when the HZM Bridge, as reported in the media, is completed in late 2016. The urbanization of cities in the western PRD region is expected to accelerate further, along with economic growth, and thus traffic.

Changes of Directors and Committee Members

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

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

Appreciation

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

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Chairman

Hong Kong, 20 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

Implementation of Guangdong Tariff Proposal

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

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

Traffic Patterns and Price Sensitivity

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

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

(Thousand vehicles/day)	Before Implementation March-May 2012	After Implementation June 2012	Change (%)
Class 1	314.8	321.9	+2.2%
Class 2	8.9	9.2	+3.0%
Class 3	59.0	62.4	+5.7%
Class 4	6.2	6.5	+4.4%
Class 5	19.6	20.2	+3.3%
Total	408.5	420.1	+2.8%

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

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

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

Partial Opening of Coastal Expressway

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

The GS Superhighway still remains a more competitive option, considering the total travelling distance and total toll charge for vehicles travelling on the Coastal Expressway and its connecting expressways. Its advantages include its convenient access to populous downtown areas and major expressways, as well as its well-equipped facilities and high-quality services. For example, the GS Superhighway has over 60 patrol vehicles and towing vehicles in the fleet, plus a professional patrol and rescue team of more than 200 staff who provide highly efficient services in the event of vehicle breakdowns and accidents. It is fully illuminated, and it has over 160 traffic surveillance cameras monitoring its entire main alignment. 5 traffic police stations line the route, and 4 service areas and petrol stations are in operation. All these facilities ensure users of the GS Superhighway enjoy a safe, convenient and comfortable journey and that they receive high standards of service. The Group believes up to now the impact of the opening of the new stretch of the Coastal Expressway, which has opened so far, on the GS Superhighway has been minimal.

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

Operating Environment

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

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

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

Sustained Efforts to Enhance Service Standards

Expansion and Improvement Works

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

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

To facilitate the merger of toll networks in Guangdong’s Central District and Guangzhou District, the GS Superhighway’s Guangzhou toll station was expanded and reconfigured, and unnecessary toll plazas on it were removed during the second quarter of 2012. The toll station’s reconfiguration has not only reduced the number of stops required for the toll collection process and thus increased throughput, it has also helped to reduce the GS Superhighway’s operating cost. The merger of the province’s toll networks has greatly boosted the efficiency of its expressway transportation system, thus benefiting all its users.

Electronic Toll Collection (“ETC”)

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

Strengthened Monitoring of Toll Integration

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

Project Development

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

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

Group Financing

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

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

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

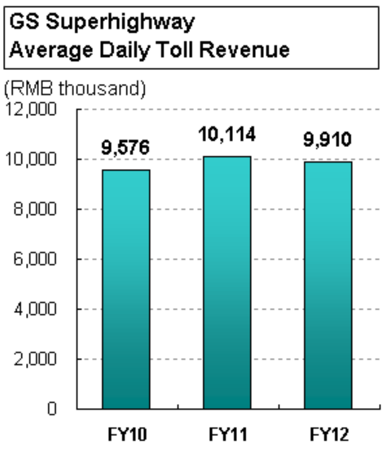
As of 30 Jun 2012 (JV Level)	Planned Investment	Equity		Bank loans and others	Target shareholder's loan[N1] as interim financing (max.)
		Injected	Approved / Required		
	RMB'm	RMB'm	%	RMB'm	RMB'm
Phase II West[N3]	**7,200**	**1,715**[N2]	**24%**	**3,990**[N5]	**1,500**[N4]
Phase III West	**5,600**	**1,960**	**35%**	**3,610**	**30**
Total	**12,800**				

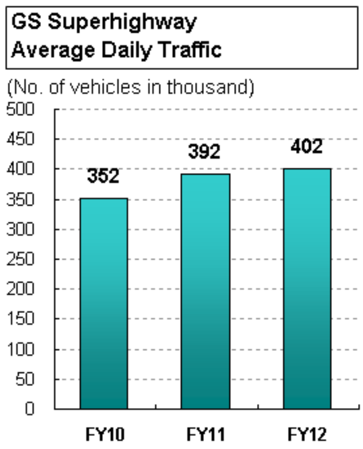
N1: Present planning, subject to change. RMB30 million shareholder's loan for Phase III West represent the outstanding amount as of 30.6.2012
N2: RMB403 million planned to be injected by each of HHI & JV partner as equity in FY13, subject to government's approval for the increase in project cost
N3: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

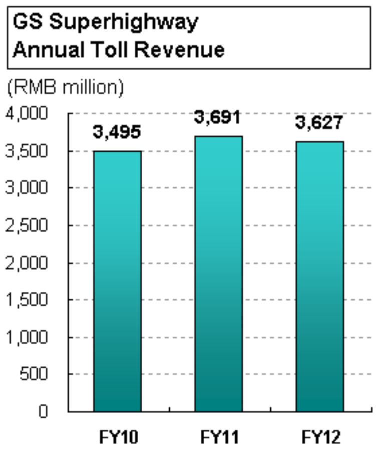
Based on preliminary assessment and assuming government's approval for the increase in project cost of the Phase II West has yet been obtained and other factors remain unchanged, the West Route JV should be able to repay all shareholder's loans from the Company by 2018, given its increasing cash flow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

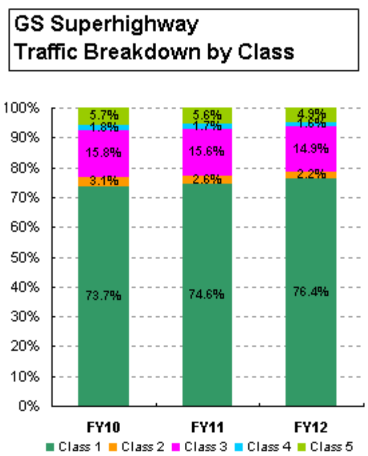
Guangzhou-Shenzhen Superhighway

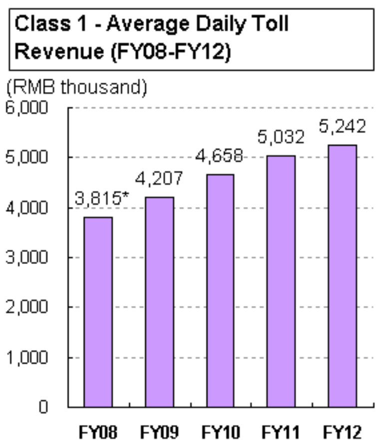
The GS Superhighway is the main expressway connecting the PRD region's three major cities – Guangzhou, Dongguan, Shenzhen and Hong Kong. Traffic on the GS Superhighway is being continuously fuelled by the increasing number of cars in Guangdong, which at the end of 2011 amounted to 9.1 million vehicles,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

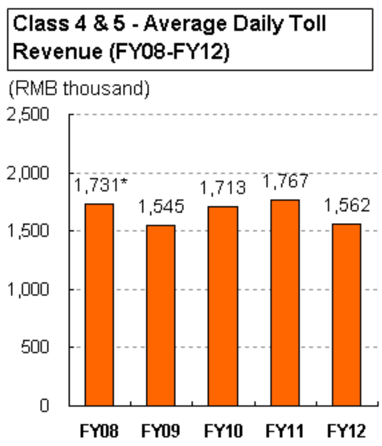












* *A section of the GS Superhighway was closed for maintenance in phases between October 2007 and July 2008.*

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

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

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

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

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

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

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

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

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

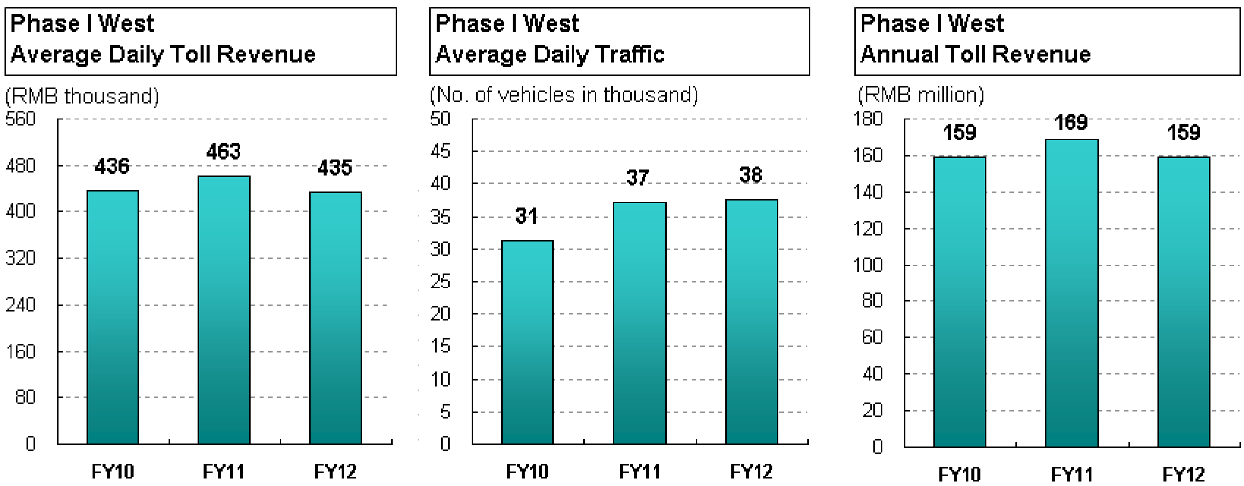
Additional landscaping works along both sides of the Guangzhou and Dongguan sections of the GS Superhighway were upgraded during the year under review. These have given the expressway a more beautiful green look and improved roadside air quality, thus providing all its users with a more pleasing driving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

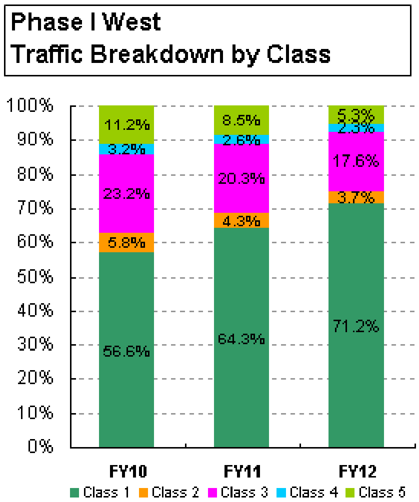
Phase I of the Western Delta Route

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

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

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



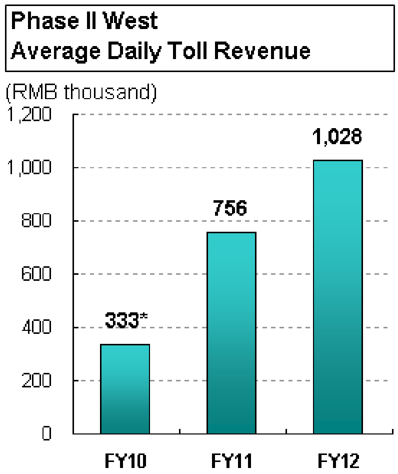


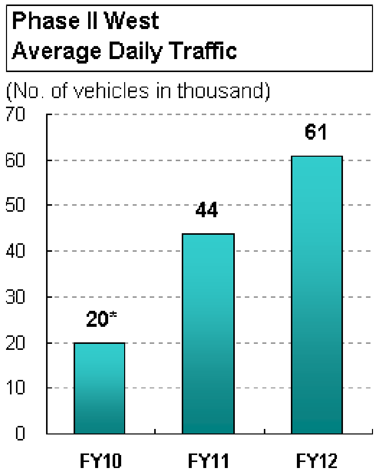
The drop in the toll revenue of Phase I West during the year under review was mainly due to the intensified traffic restriction measures associated with the maintenance works on Yajisha Bridge, which prohibited trucks weighing over 15 tons from using Yajisha Bridge on the Guangzhou East-South-West Ring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

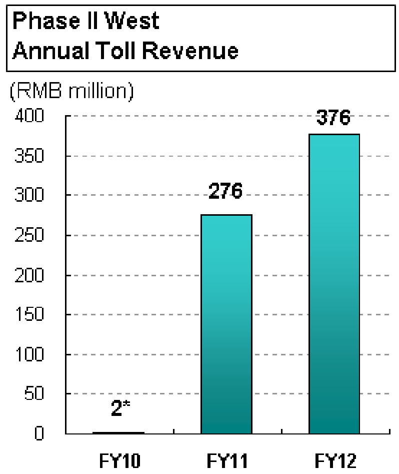
Phase II of the Western Delta Route

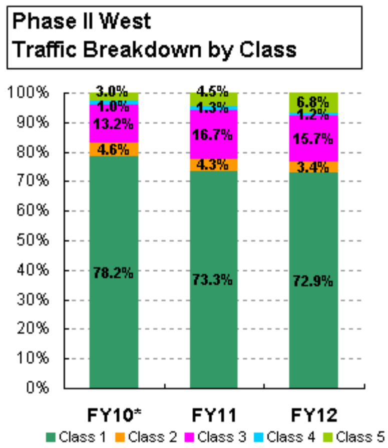
A 45.5-kilometre closed expressway with a total of six lanes in dual directions, Phase II West is connected to Phase I West at Shunde to the north and Phase III West at Zhongshan to the south. It is also linked with National Highway 105, Guangzhou Southern Second Ring Road, Jiangmen-Zhongshan Expressway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

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









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

The implementation of the revised tariff on 1 June 2012 has had no impact on Phase II West. In fact, its average daily toll revenue was 34% and 30% higher in June and July 2012 respectively compared with the same months last year.

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

West's traffic and toll revenue. The region's economic growth and the development of its comprehensive peripheral road network lead the Group to believe that Phase II West's traffic volume and toll revenue will continue to grow robustly.

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

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

Phase III of the Western Delta Route

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

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

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

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

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

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

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

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

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

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

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

Financial Review

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

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

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

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

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

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

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

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

Consolidated Statement of Comprehensive Income

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

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

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

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

Liquidity and Financial Resources

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

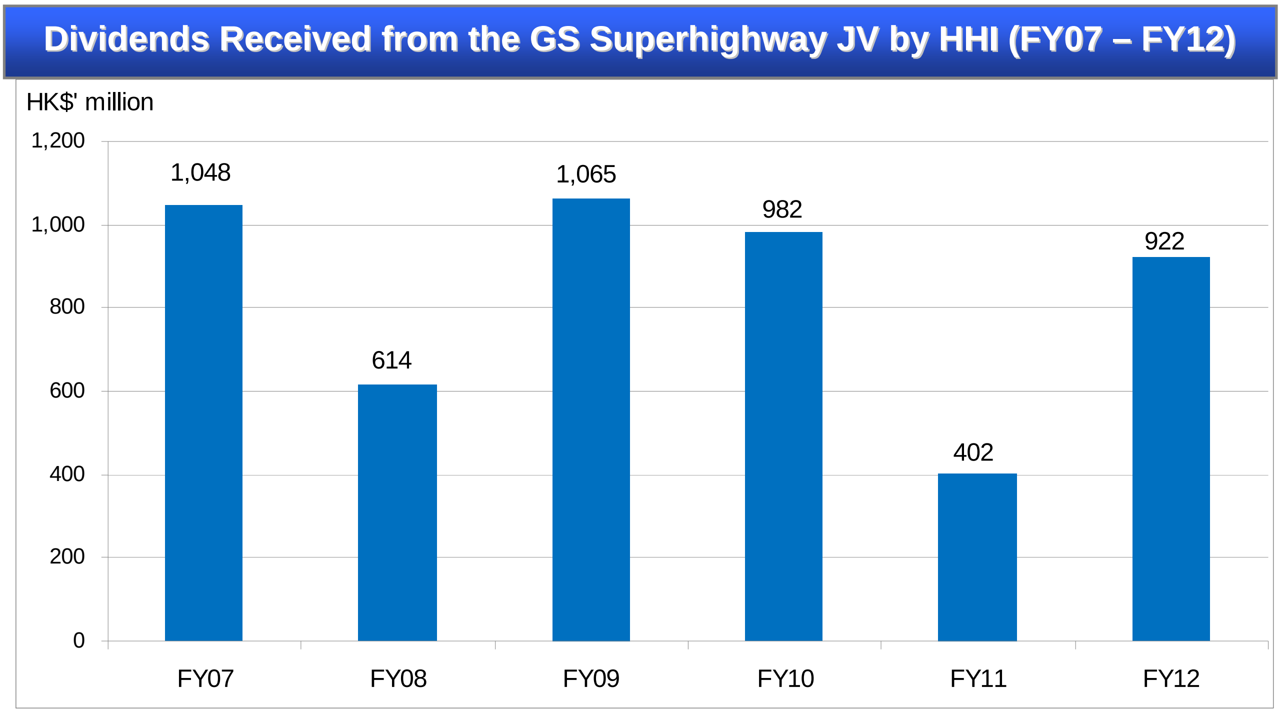
	As at 30 June	
	2011 HK$ million	**2012** **HK$ million**
Total debt		
- Company and subsidiaries (including RMB corporate bonds and bank loans)	2,409	(Note 2) **3,706**
- JV companies	6,412	**7,295**
Net debt (Note 1)	5,019	**5,941**
Total assets	19,122	(Note 2) **21,502**
Equity attributable to owners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

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

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

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

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



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

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

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

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

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

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

Debt Maturity Profile

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

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

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

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

Interest Rate and Exchange Rate Exposure

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

Treasury Policies

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

Capital Commitments

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

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

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

Pledge of Assets

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

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

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

Contingent Liabilities

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

Material Acquisition or Disposal

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

OTHER DISCLOSURES

Purchase, Sale or Redemption of Securities

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

Review of Annual Results

The annual results of the Group for the year ended 30 June 2012 have been reviewed by the Audit Committee of the Company.

Compliance with the CG Code and the Revised CG Code

In October 2011, the Stock Exchange published its consultation conclusions on the review of the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules (renamed as the Corporate Governance Code (the "Revised CG Code")) and associated Listing Rules (the "Revised Listing Rules") setting out the amendments that are to be made in 2012. The Board has reviewed the Revised CG Code and the Revised Listing Rules and their impact to the Company and taken measures to comply with the Revised CG Code and the Revised Listing Rules.

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 30 June 2012

	NOTES	2011 HK$'000	2012 HK$'000
Toll revenue		2,274,571	2,385,666
Revenue on construction		1,536,527	1,512,139
Turnover	3	3,811,098	3,897,805
Other income and other expense	4	244,870	246,975
Construction costs		(1,536,527)	(1,512,139)
Provision for resurfacing charges		(21,166)	(26,129)
Toll expressway operation expenses		(244,155)	(231,375)
Depreciation and amortization charges		(434,810)	(485,979)
General and administrative expenses		(107,855)	(122,811)
Finance costs	5	(240,530)	(273,265)
Profit before tax		1,470,925	1,493,082
Income tax expenses	6	(433,631)	(451,737)
Profit for the year	7	1,037,294	1,041,345
Other comprehensive income			
Exchange difference arising on translation to presentation currency		413,485	113,043
Total comprehensive income for the year		1,450,779	1,154,388
Profit for the year attributable to:			
Owners of the Company		1,018,481	1,023,218
Non-controlling interests		18,813	18,127
		1,037,294	1,041,345
Total comprehensive income attributable to:			
Owners of the Company		1,431,966	1,136,261
Non-controlling interests		18,813	18,127
		1,450,779	1,154,388
		HK Cents	HK Cents
Earnings per share	9		
Basic and diluted		34.39	34.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	2011	2012
	HK$'000	HK$'000
ASSETS		
Non-current Assets		
Property and equipment	325,767	379,404
Concession intangible assets	14,337,184	15,600,772
Balance with a jointly controlled entity	232,440	299,848
Bank deposits	589,960	-
	15,485,351	16,280,024
Current Assets		
Inventories	2,360	2,450
Deposits and prepayments	14,214	21,287
Interest and other receivables	103,543	116,913
Balance with a jointly controlled entity (note (i))	304,367	20,330
Pledged bank balances and deposits of jointly controlled entities	294,836	344,134
Bank balances and cash		
- The Group	2,848,925	4,582,018
- Jointly controlled entities	68,564	134,499
	3,636,809	5,221,631
Total Assets	19,122,160	21,501,655
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	296,169	296,169
Share premium and reserves	8,517,986	8,588,095
Equity attributable to owners of the Company	8,814,155	8,884,264
Non-controlling interests	60,386	67,508
Total Equity	8,874,541	8,951,772
Non-current Liabilities		
Bank loan of the Group	-	1,220,000
Bank and other loans of jointly controlled entities	5,888,041	6,608,583
Balance with a joint venture partner	232,381	299,788
Balance with a jointly controlled entity (note (ii))	-	17,836
Corporate bonds	2,383,920	732,000
Resurfacing obligations	52,518	69,979
Deferred tax liabilities	382,033	399,870
	8,938,893	9,348,056
Current Liabilities		
Provision, other payables, accruals and deposits received	831,489	927,572
Balance with a joint venture partner	-	12,200
Balance with a jointly controlled entity (note (ii))	16,398	-
Bank loans		
- The Group	24,700	70,800
- Jointly controlled entities	292,095	374,816
Corporate bonds	-	1,683,600
Other interest payable	30,984	34,449
Tax liabilities	113,060	98,390
	1,308,726	3,201,827
Total Liabilities	10,247,619	12,549,883
Total Equity and Liabilities	19,122,160	21,501,655

Cash and cash equivalents represented by:		
Pledged bank balances and deposits of jointly controlled entities	265,940	314,854
Bank balances and cash		
- The Group	2,568,007	3,984,218
- Jointly controlled entities	68,564	134,499
	2,902,511	4,433,571

Notes:

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

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

(ii) Reconciliation of balance with a jointly controlled entity

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

Notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

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

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

Key requirements of these five standards are described below.

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

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

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

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

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

3. TURNOVER AND SEGMENT INFORMATION

Turnover

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

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

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

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

Information regarding the above segments is reported below.

3. TURNOVER AND SEGMENT INFORMATION - continued

Segment revenue and results

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

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

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

Reconciliation from segment revenue to turnover

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

3. TURNOVER AND SEGMENT INFORMATION - continued

Other segment information

2011	GS Superhighway	Phase I West	Phase II West	Segment total	Reallocation	Elimination	Unallocated	Consolidated total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Note (i))	(Note (ii))		
Amounts included in the measure of segment profit or loss:								
Depreciation and amortization	366,245	12,509	54,978	433,732	-	-	1,078	434,810
Interest income	(7,793)	(453)	(363)	(8,609)	(10,802)	5,612	(83,452)	(97,251)
Interest expenses	28,200	18,074	136,015	182,289	10,802	(5,612)	53,051	240,530
Income tax expenses	397,336	737	-	398,073	-	-	35,558	433,631

2012	GS Superhighway	Phase I West	Phase II West	Segment total	Reallocation	Elimination	Unallocated	Consolidated total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Note (i))	(Note (ii))		
Amounts included in the measure of segment profit or loss:								
Depreciation and amortization	407,264	13,450	64,259	484,973	-	-	1,006	485,979
Interest income	(26,789)	(199)	(241)	(27,229)	(14,143)	24,084	(134,828)	(152,116)
Interest expenses	27,324	22,433	166,688	216,445	14,143	(24,084)	66,761	273,265
Income tax expenses	427,974	(2,232)	-	425,742	-	-	25,995	451,737

Notes:

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

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

Geographical information

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

Segment assets and liabilities

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

4. OTHER INCOME AND OTHER EXPENSE

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSES

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

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

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

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

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

6. INCOME TAX EXPENSES – continued

GS Superhighway JV is entitled to a 5-year exemption from income tax commencing from the first profit-making year as computed under PRC accounting standards and tax regulations and 5-year half of the regular tax rate ("5 + 5" exemption). The first year for which GS Superhighway JV recorded profits for PRC tax purposes was the year ended 31 December 2000 and the "5+5" exemption from income tax expired in December 2009.

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

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

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

6. INCOME TAX EXPENSES – continued

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

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

7. PROFIT FOR THE YEAR

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

8. DIVIDENDS

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

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

9. EARNINGS PER SHARE

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

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

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

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

10. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

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

GLOSSARY

"2012 Annual General Meeting"	the annual general meeting of the Company to be held at Auditorium, 3/F., Kowloonbay International Trade and Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 18 October 2012 at 10:00 a.m.
"Board"	the board of Directors
"Coastal Expressway"	Guangzhou-Shenzhen Coastal Expressway
"Company" or "HHI"	Hopewell Highway Infrastructure Limited
"Director(s)"	director(s) of the Company
"DPS"	dividend per share
"EBIT"	earnings before interest and tax
"EIT"	Enterprise Income Tax
"EPS"	earnings per share
"FY07"	the financial year ended 30 June 2007
"FY08"	the financial year ended 30 June 2008
"FY09"	the financial year ended 30 June 2009
"FY10"	the financial year ended 30 June 2010
"FY11"	the financial year ended 30 June 2011
"FY12"	the financial year ended 30 June 2012
"FY13"	the financial year ending 30 June 2013
"GDP"	Gross Domestic Product
"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$" or "HK Dollar"	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-Macau Bridge
"JCE/JCEs"	jointly controlled entity/entities
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

"Macau"	the Macau Special Administrative Region of the PRC
"Mainland China"	the PRC, excluding Hong Kong and Macau
"Phase I West"	Phase I of Western Delta Route
"Phase II West"	Phase II of Western Delta Route
"Phase III West"	Phase III of Western Delta Route
"PRC" or "China"	the People's Republic of China
"PRD"	Pearl River Delta
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States"	the United States of America
"US$" or "US Dollars"	US Dollars, the lawful currency of the United States
"West Route JV"	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the Western Delta Route
"Western Delta Route"	the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West

As at the date of this announcement, the Board comprises six Executive Directors namely, Sir Gordon Ying Sheung WU (Chairman), Mr. Eddie Ping Chang HO (Vice Chairman), Mr. Thomas Jefferson WU (Managing Director), Mr. Alan Chi Hung CHAN (Deputy Managing Director), Mr. Cheng Hui JIA and Mr. Alan Ming Fai TAM and five Independent Non-executive Directors namely, Mr. Philip Tsung Cheng FEI, Mr. Kojiro NAKAHARA, Professor Chung Kwong POON, Mr. Yuk Keung IP and Mr. Brian David Man Bun LI.