



HOPEWELL

Holdings Limited

2004-2005 Interim Report

合和實業有限公司

二零零四至二零零五年中期報告





Highlights

- Net profit rose 103% to HK\$1,268 million, or HK\$1.42 per share
- Interim dividend of HK12 cents per share and special interim dividend of HK30 cents per share
- EBIT from road infrastructure projects increased 15%
- Positive net cash (after debt) on hand amounting to HK\$3.3 billion as at 31st December, 2004

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Group Results

Overview

For the six months ended 31st December, 2004, the Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

<i>In HK\$ million</i>	<i>Turnover</i>		<i>Earnings before interest and tax</i>	
	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>
Infrastructure project investment	28	26	405	464
Property letting, agency & management	150	150	88	92
Hotel operations, restaurant & catering	136	168	21	36
Property development & project management	26	5	2	81
Others	–	–	(8)	(14)
	340	349	508	659

<i>In HK\$ million</i>	<i>Results</i>	
	<i>2003</i>	<i>2004</i>
Earnings before interest and tax (<i>Note 1</i>)	508	659
Exceptional items	365	900
Finance costs (<i>Note 2</i>)	(126)	(54)
Taxation	(35)	(38)
Minority interests	(86)	(199)
Net profit	626	1,268

Notes:

- (1) *Earnings before interest and tax is the sum of (i) profit from operations before gain or loss on disposal of assets and impairment losses of HK\$67 million (2003: HK\$65 million); and (ii) share of profits of jointly controlled entities and associates of HK\$592 million (2003: HK\$443 million).*
- (2) *The amount included interest expenses and related finance costs of Notes totaling HK\$19 million (2003: HK\$76 million).*

Turnover

The Group's turnover for the six months ended 31st December, 2004, was HK\$349 million as compared with HK\$340 million of last corresponding period, mainly resulting from revenue growth of the hospitality business.

Toll revenues generated from the infrastructure project investments of Guangzhou-Shenzhen Superhighway ("GS Superhighway"), Guangzhou East-South-West Ring Road ("ESW Ring Road") and Phase I of the Western Delta Route amounted to RMB 1,685 million for the six months ended 31st December, 2004, representing a 20% increase from the same period of last year. However, since the equity accounting method is adopted, turnover attributable to the Group from the PRC joint venture project holding companies ("PRC Joint Ventures") of such infrastructure projects has not been accounted for in the Group's turnover.

Group Results (continued)

Earnings Before Interest and Tax

The Group's earnings before interest and tax ("EBIT") from recurring operating activities increased by 30% to HK\$659 million from HK\$508 million of the last corresponding period, mainly attributable to the growth in traffic and toll revenue of GS Superhighway and ESW Ring Road, which, under the equity accounting method, was reflected in the Group's attributable share of profits of the PRC Joint Ventures. During the period, hospitality business and property development business also reported prominent growth in EBIT.

Profit Attributable to Shareholders

The Group's net profit surged to HK\$1,268 million, representing an increase of 103% as compared with HK\$626 million of the last corresponding period. The increase, after accounting for the results attributable to the minority shareholders, mainly comes from (i) the encouraging results of the road infrastructure projects of HK\$464 million (as compared with HK\$405 million of the last corresponding period) as well as property development and project management business of HK\$81 million; (ii) lower finance cost of HK\$54 million as compared to HK\$126 million of the last corresponding period resulting from the reduced debt level and the low interest rate environment; and (iii) the disposal gains in respect of the Tanjung Jati B Power project ("TJB") of HK\$404 million and Shunde Roads and Shunde 105 projects of HK\$496 million.

Interim Dividend and Close of Register

The Board of Directors has declared an interim dividend of HK12 cents and a special interim dividend of HK30 cents per ordinary share in respect of the financial year ending 30th June, 2005 (30th June, 2004: interim dividend of HK10 cents and special interim dividend of HK30 cents). The dividend will be paid on or about 30th March, 2005 to those shareholders as registered at the close of business on 24th March, 2005.

The register of members of the Company will be closed from Monday, 21st March, 2005 to Thursday, 24th March, 2005, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend and special interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 18th March, 2005.

Business Review

Rental Property

Turnover of the property business for the six months ended 31st December, 2004, largely generated from the Group's two major rental properties – Hopewell Centre and Hong Kong International Trade and Exhibition Centre (“HITEC”), maintained at HK\$150 million, same as that of last corresponding period. However, EBIT has increased from HK\$88 million of last corresponding period to HK\$92 million.

Hopewell Centre, Wanchai

Overall average occupancy rate of Hopewell Centre was around 92% as compared to 91% over the last corresponding period. The comprehensive renovation program for upgrading the main lobbies, shopping arcade and building facilities has continued by phases.

HITEC, Kowloon Bay

Despite fierce competition from new office buildings in the neighbouring areas, the overall average occupancy of HITEC was kept at 61%, as compared to about 63% of the last corresponding period. The land lease modification to commercial usage was completed in January 2005. The proposed new footbridge connecting the new Electrical and Mechanical Services Department headquarters to HITEC, planned to be completed by the Government in May 2005, is expected to bring a positive impact on HITEC.

Panda Place, shopping mall of Panda Hotel

During the period, renovation works commenced to revamp the shopping areas of Panda Hotel into a modern and stylish design new shopping mall to be named Panda Place. It will provide greater choice of shopping as well as food and beverage and entertainment when completed in the second half of 2005.

Hotel and Catering

Turnover of hospitality business for the period under review increased by 24% to HK\$168 million and EBIT increased by 71% to HK\$36 million as compared to same period last year and were mainly due to the improved performance of Panda Hotel.

Panda Hotel, Tsuen Wan

Panda Hotel achieved significant increases in its average room occupancy, average room rate and hotel revenue during the period as compared to the same period last year. Average room occupancy increased from 80% to 89% while the average room rate increased by 29% and total hotel revenue increased by 26% to HK\$91 million. The hotel's active marketing strategy, capitalizing on the strong leisure market from Mainland China and steady growth of visitors from Japan and Korea, has paid off handsomely by the hotel's strong performance during the period under review. Room refurbishment is continuing until all rooms are renovated.

Business Review (continued)

Restaurant and Catering Services

Contribution improved during the period under review from the food and beverage outlets at Panda Hotel, Revolving 66 Restaurant at Hopewell Centre, Yuet Loy Heen and Grand Buffet Restaurant at HITEC and Bayern Gourmet Food (the food manufacturer and supplier) as a result of the improved customer sentiments brought by economic recovery and the Group's series of innovative promotions.

Property Development & Project Management

Due to the gain from disposal of the development right in Phase 4 of Nova Taipa Gardens, EBIT from the property development and project management business for the period increased to HK\$81 million, as compared to HK\$2 million of the last corresponding period.

Mega Tower Hotel, Wanchai

The proposed 2,000-room hotel, adjacent and to the west of Hopewell Centre, is planned to incorporate shopping, restaurant, commercial and convention facilities as well as much needed community open space in the vicinity. The current planning application was rejected by the Town Planning Board in February 2005. The Group is in the process of reviewing its alternatives in materializing the project.

Hopewell New Town, Huadu, Guangzhou (95% interest)

The construction works for the first phase development of Hopewell New Town, consisting of townhouses and apartment units with a total development area of approximately 160,000 sq. m., are on schedule and sales launch is expected in the second half of 2005.

Nova Taipa Gardens, Taipa Island, Macau (50% interest)

With the strong revival of the property market in Macau, the joint venture company holding the multi-phase Nova Taipa Gardens development project is proceeding with the development of Phase 2 of the project. Construction works for the first sub-phase, Phase 2C, which covers five residential blocks with development area of approximately 100,000 sq. m. providing 680 apartments and 800 car parking spaces, is well advanced with target completion in 2006 and sales launch is expected in the second half of 2005.

During the period under review, the joint venture company has disposed of its development right in Phase 4 (with a site area of 5,230 sq. m.) of the project to one of its shareholders at a consideration of HK\$200 million.

Tanjung Jati B Power Plant Project ("TJB") in Indonesia

A gain of HK\$404 million for the TJB disposal was recognized in the period under review (2003: nil). Up to 31st December, 2004, the TJB disposal has generated a net cash surplus of HK\$1,460 million to the Group. The remaining balance of approximately HK\$200 million will be received in the next two years.

BERTS

The Group continued its efforts during the interim period to seek a resolution for the BERTS project.

Business Review (continued)

Infrastructure

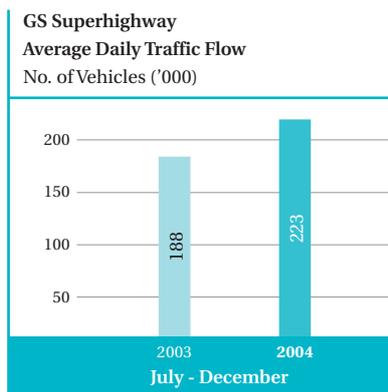
EBIT from infrastructure business for the period under review increased 15% from HK\$405 million of the last corresponding period to HK\$464 million due to the growth in traffic flow and toll revenue of the three toll road projects, namely GS Superhighway, Guangzhou East-South-West Ring Road (“ESW Ring Road”) and the addition of Phase I of the Western Delta Route (“Phase I West”), invested by Hopewell Highway Infrastructure Limited (“HHI”).

HHI

HHI, in which the Group continues to retain approximately 75% shareholding and which focuses on the initiation, promotion, development, investment and operation of toll expressways and bridges, recorded continuous robust growth in average daily traffic flow and average daily toll revenue of 29% and 20% respectively for the six months ended 31st December, 2004 as compared to the last corresponding period. With the implementation of the Pan-PRD programme and CEPA policy, the opening of the Guangzhou Baiyun International Airport and various large-scale industrial and economic zones and seaports, HHI expects continued growth in traffic flow and toll revenue at GS Superhighway and ESW Ring Road as well as Phase I West.

Guangzhou-Shenzhen Superhighway (“GS Superhighway”)

The GS Superhighway is a 122.8 km closed system toll expressway. This expressway is a major artery of the highway network in the PRD region, and the trunk route connecting four major cities, namely, Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, the average daily traffic flow reached 223,000 vehicles, an increase of 18% as compared to the last corresponding period and the average daily toll revenue grew by 15% to RMB 7.92 million. Toll revenue reached RMB 1,460 million.



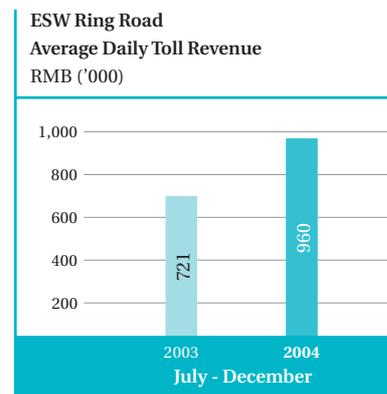
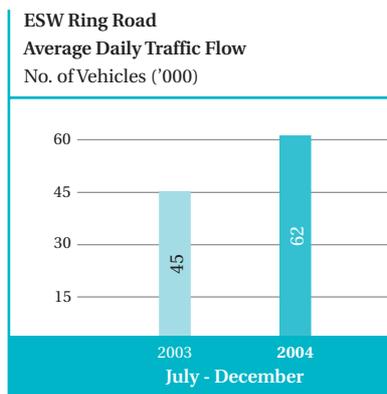
The achievement in significant traffic and toll revenue growth is largely due to the continuous rapid economic growth of the Guangdong Province. The continuous growth in GDP and wealth of both the business enterprises and individuals in the Guangdong Province resulted in the increase in the flow of passengers and goods in the region as well as the growth of vehicle ownership. HHI strongly believes that these factors will facilitate the continuous growth both in traffic flow and toll revenue of the GS Superhighway in the future. HHI has been studying the feasibility of widening the expressway from the current total 6 lanes to 10 lanes.

Business Review (continued)

Guangzhou East-South-West Ring Road (“ESW Ring Road”)

The ESW Ring Road is one of the major arteries of the Guangzhou’s network of expressways with a total length of 38 km. The eastern part of the expressway connects to the GS Superhighway; whereas, the southern part connects to the Guangzhou Nansha Port Expressway and Phase I West, and the western part links with the Guangfo Expressway. It plays a vital role in relieving the pressure of traffic congestion in the inner city of Guangzhou and providing a speedy route for traffic passing through Guangzhou en route to other destinations.

Benefiting from the economic growth of Guangzhou, the ESW Ring Road recorded a strong increase in traffic flow and toll revenue during the period under review. The average daily traffic flow grew by 36% to 62,000 vehicles and average daily toll revenue increased by 33% to RMB 0.96 million. Toll revenue reached RMB 180 million.



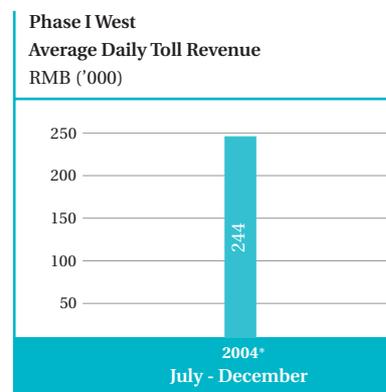
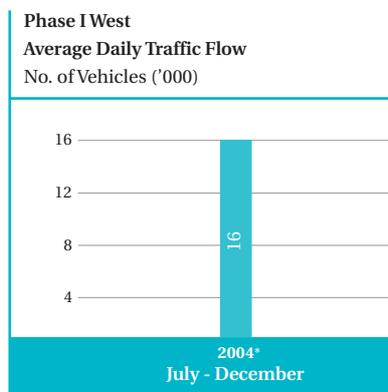
As a result of the continuous economic development of Guangzhou as one of the most important metropolis of the PRC, the regions along the ESW Ring Road also achieved rapid growth. The road network of which the ESW Ring Road is a part has also become more and more developed, particularly with the completion in 2004 of the Guangzhou Airport Expressway linking Guangzhou to the Guangzhou Baiyun International Airport in the north and the Guangzhou Nansha Port Expressway linking Guangzhou to the industrial zones at Nansha and the Longxue Island Port in the south. HHI strongly believes that the traffic volume and toll revenue of this project will benefit from these factors in the future.

Business Review (continued)

Phase I of the Western Delta Route ("Phase I West")

The Phase I West is a 14.7 km closed system dual three lane expressway. It connects the ESW Ring Road in the north to the National Highway 105 and Bigui Road in the south.

Since the expressway was opened to traffic on 30th April, 2004, it recorded a steady growth both in traffic volume and toll revenue. During the period under review, average daily traffic flow reached 16,000 vehicles, a growth of 41% since operations started, and average daily toll revenue reached RMB 0.244 million, increased by 47%. Toll revenue reached RMB 45 million.



* Operation started on 30th April, 2004

With the rapid economic growth of the PRD region, the business activities amongst Guangzhou, Shunde and neighbouring cities are increasingly flourishing. Currently, the Phase I West is the only expressway between Guangzhou and Shunde providing a speedy transportation link between the two cities. HHI believes the Phase I West will continue to grow remarkably in traffic volume as well as toll revenue.

Phases II and III of the Western Delta Route

About 46 km, the Phase II of the Western Delta Route ("Phase II West") will be an expressway project linking up the Phase I West and Zhongshan. In July 2004, HHI conditionally amended their agreements with the PRC partner of Phase I West to invest, construct and operate the Phase II West, details of which have been set out in the circular of the Company dated 21st August, 2004. In October 2004, the feasibility study report of Phase II West was approved. The project is expected to commence construction in 2005.

In addition, HHI is currently in the process of negotiating the terms of a possible co-operation with the PRC partner of Phase I West to also invest, construct and operate the Phase III of the Western Delta Route which will link up the Phase II West, Zhongshan and Zhuhai. On completion of the Western Delta Route, an arterial expressway system directly connecting Guangzhou, Nanhai, Shunde, Zhongshan and Zhuhai will be formed, creating a strategic route in that area.

Business Review (continued)

Hong Kong-Zhuhai-Macau Bridge Project

As a step to further advance the project, the Guangdong, Hong Kong SAR, and Macau SAR governments have commissioned in 2004 the China Highway Planning and Design Institute Consultants, Inc. to undertake a feasibility study of the Hong Kong-Zhuhai-Macau bridge project. It was reported in the media that the study was completed and a report had been submitted to the three governments for review in December 2004. We believe HHI is well positioned to play an important role in the Hong Kong-Zhuhai-Macau Bridge project once it proceeds.

Other Infrastructure Projects

Shunde Roads & Shunde 105 Road (not under the portfolio of HHI)

Disposal of the Group's interests in Shunde Roads and Shunde 105 Road projects became effective during the period under review.

For the Shunde Roads project, a portion of the consideration amounting to HK\$583 million was received. A disposal gain of approximately HK\$313 million (mainly representing the recovery of prior years' losses) was recognized in these interim results. The remaining outstanding balance of approximately HK\$240 million, being unsecured, is receivable in three equal annual installments commencing December 2005 and such amount will be recognized as gains as and when received.

The cash consideration of HK\$438 million for the Shunde 105 Road project was received in full during the period under review. A disposal gain of approximately HK\$183 million was accounted for in these interim results.

Financial Review

Liquidity and Financial Resources

The Group remains financially sound and solid. The Group's net cash position, including cash and liquid notes of HHI, increased to HK\$3,345 million (30th June, 2004: HK\$1,763 million). The Group's total available and undrawn general banking facilities and project loan facilities, together with deposits, cash holdings and liquid notes, amounted to approximately HK\$8,613 million (30th June, 2004: HK\$6,476 million). All of the Group's properties were free from encumbrances.

In August 2004, Guangzhou-Shenzhen Superhighway (Holdings) Ltd., a subsidiary of the Company redeemed the matured US\$194 million unsecured 9⁷/₈% fixed-rate Notes at 100% of their principal amounts. As the redemption was settled by a cash reserve set aside since February 2003, the Group's cash position was not affected.

As at 31st December, 2004, the Group's total bank borrowings were HK\$1,163 million (30th June, 2004: HK\$1,234 million) while the Group's deposit, cash holdings and liquid notes had substantially increased to HK\$4,508 million (30th June, 2004: HK\$2,997 million). The latter's increase was mainly contributed by the net cash proceeds of HK\$520 million from the disposal of TJB, and net cash proceeds amounting to HK\$438 million and HK\$583 million in relation to the disposals of Shunde 105 Road and Shunde Roads projects respectively. During the period, interest coverage ratio increased to 15.7 times (year ended 30th June, 2004: 5.3 times).

The bank deposits and cash on hand as well as available banking facilities and scheduled cash contributions from TJB and Shunde Roads project will put the Group in a strong position to fund its recurring operations, present and potential investments.

Debt Maturity Profile

Set out below is the maturity profile of the Group's borrowings as at 31st December, 2004, as compared with that as at 30th June, 2004:

	As at 30th June, 2004	As at 31st December, 2004
Within 1 year	19%	13%
2-5 years	81%	87%

The debt maturity profile enabled the Group to have sufficient flexibility in managing its current and future funding needs.

Financial Review (continued)

Treasury Policies

The Group's financing and treasury activities were managed centrally at the corporate level. Use of financial instruments was strictly controlled and solely for managing the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings.

Capital Structure

The Group's capitalization structure is set out as follows:

	As at 30th June, 2004	As at 31st December, 2004
<i>In HK\$ million</i>		
Equity	14,866	15,987
Total net debt	Net Cash	Net Cash
Total capitalization	17,574	17,150
<i>In %</i>		
Total net debt vs total capitalization	N/A	N/A
Total net debt vs equity	N/A	N/A

Exposure to fluctuations in Exchange Rates and any related hedges

The Group has no significant exposure to foreign exchange risk given the majority of the Group's borrowings was denominated in Hong Kong dollars. In view of the present low interest rate environment, the Group's borrowings are principally arranged on a floating rate basis.

Contingent Liabilities

During the period, the legal action taken by a supplier against a subsidiary claiming, inter alia, compensation for alleged breach of contract of approximately HK\$33 million in connection with the construction of a road project in prior years was settled, resulting in no losses as the settlement amount had already been provided for in the financial statements.

Save as herein disclosed, there have been no material changes in contingent liabilities of the Group since 30th June, 2004.

Charges on Assets

There have been no material changes to the Group's charges on assets since 30th June, 2004.

Project Commitments

For details of project commitments, please refer to note 21 to the condensed financial statements.

Prospects

The Group believes that the continued rapid economic development in the PRD region, the strong economic growth in Macau and the robust economic recovery in Hong Kong coupled with the positive economic impact of further economic integration of the three regions and CEPA will benefit the long-term future development of the Group's core businesses, namely, infrastructure, property and hospitality businesses.

Under this positive environment, we believe the Group could materialize and optimize on its projects in process, including the Mega Tower Hotel in Hong Kong, the Hopewell New Town development in the Huadu district of Guangzhou and the Nova Taipa Gardens development in Macau and through HHI, Phases II and III of the Western Delta Route. We believe HHI is also well positioned to play a vital role in the Hong Kong-Zhuhai-Macau Bridge project once it proceeds.

Other Information

Review of Interim Results

The unaudited interim results of the Group for the six months ended 31st December, 2004 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December, 2004, the interests and short positions of the directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) *the Company*⁽ⁱ⁾

Directors	Shares				Underlying shares of equity derivatives ⁽ⁱⁱⁱ⁾ (i.e. share option)	Total interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests ⁽ⁱⁱⁱ⁾			
Gordon Ying Sheung WU	71,494,032	21,910,000 ^(v)	111,250,000 ^(vi)	30,680,000	-	235,334,032 ^(ix)	26.18%
Eddie Ping Chang HO	25,360,000	246,000	2,050,000	-	-	27,656,000	3.08%
Josiah Chin Lai KWOK	1,005,000	-	-	-	-	1,005,000	0.11%
Thomas Jefferson WU	27,040,000	-	820,000	-	-	27,860,000	3.10%
Henry Hin Moh LEE	7,695,322	-	-	-	-	7,695,322	0.86%
Robert Van Jin NIEN	720,000	-	-	-	-	720,000	0.08%
Guy Man Guy WU	2,645,650	-	-	-	-	2,645,650	0.29%
Ivy Sau Ping KWOK WU	21,910,000	121,554,032 ^(vii)	61,190,000 ^(viii)	30,680,000	-	235,334,032 ^(ix)	26.18%
Linda Lai Chuen LOKE	-	1,308,981	-	-	-	1,308,981	0.15%
David Yau-gay LUI	8,537	-	-	-	-	8,537	0.00%
Albert Kam Yin YEUNG	150,000	-	-	-	1,050,000	1,200,000	0.13%
Andy Lee Ming CHEUNG	500,000	-	-	-	500,000	1,000,000	0.11%
Eddie Wing Chuen HO Junior	-	-	-	-	500,000	500,000	0.06%
Lee Yick NAM	90,000	-	-	-	-	90,000	0.01%

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives of the Company were long positions. None of the directors or chief executives held any short position in the shares and underlying shares of equity derivatives of the Company.
- (ii) The corporate interests were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The other interests in 30,680,000 shares represented the interests held by Sir Gordon Ying Sheung WU ("Sir Gordon WU") jointly with his wife Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU").
- (iv) The interest in underlying shares of equity derivatives represented interests in options granted to directors under the 2003 Share Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options of the Company".
- (v) The family interests in 21,910,000 shares represented the interests of Lady Ivy WU.
- (vi) The corporate interests in 111,250,000 shares held by Sir Gordon WU included the interests in 61,190,000 shares referred to in Note (viii).
- (vii) The family interests in 121,554,032 shares represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 50,060,000 shares held by Sir Gordon WU through corporations.
- (viii) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (ix) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

Other Information (continued)

(B) Associated Corporations

(a) Hopewell Highway Infrastructure Limited (“HHI”)

Directors	HHI shares	Underlying shares of equity derivatives ⁽ⁱ⁾ (i.e. HHI warrants)				Total interests	% of issued share capital
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests		
Gordon Ying Sheung WU	300,000 ⁽ⁱⁱⁱ⁾	6,249,403	2,191,000 ⁽ⁱⁱⁱ⁾	11,124,999 ^(iv)	3,068,000 ^(v)	22,933,402 ^(x)	0.80%
Eddie Ping Chang HO	-	1,936,000	24,600	205,000	-	2,165,600	0.08%
Thomas Jefferson WU	200,000 ^(vi)	2,435,000	-	82,000	-	2,717,000	0.09%
Henry Hin Moh LEE	-	279,530	-	-	-	279,530	0.01%
Robert Van Jin NIEN	-	10,000	-	-	-	10,000	0.00%
Ivy Sau Ping KWOK WU	300,000 ^(vii)	2,191,000	11,255,403 ^(viii)	6,118,999 ^(ix)	3,068,000 ^(v)	22,933,402 ^(x)	0.80%
David Yau-gay LUI	-	853	-	-	-	853	0.00%

Notes:

- (i) These represented warrants of HHI, which conferred rights to subscribe for HHI shares at HK\$4.18 per HHI share (subject to adjustments) exercisable during a period of 3 years from 6th August, 2003 to 5th August, 2006.
- (ii) These HHI warrants were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The interests in 300,000 HHI shares and 2,191,000 underlying shares of HHI warrants were interests held by Lady Ivy Sau Ping KWOK WU (“Lady Ivy WU”), the wife of Sir Gordon Ying Sheung WU (“Sir Gordon WU”). The former interests represented the same block of shares in Note (vii).
- (iv) The corporate interests in 11,124,999 underlying shares of HHI warrants held by Sir Gordon WU included the corporate interests in 6,118,999 underlying shares of HHI warrants referred to in Note (ix).
- (v) The other interests in 3,068,000 underlying shares of HHI warrants represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (vi) The interests in 200,000 HHI shares represented beneficial interests of Mr. Thomas Jefferson WU.
- (vii) The interests in 300,000 HHI shares were personal interests beneficially owned by Lady Ivy WU and represented the same block of shares in Note (iii).
- (viii) The family interests in 11,255,403 underlying shares of HHI warrants represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 5,006,000 underlying shares of HHI warrants held by Sir Gordon WU through corporations.
- (ix) The corporate interests in 6,118,999 underlying shares of HHI warrants were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (x) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

(b) HCNH Insurance Brokers Limited (“HCNH”)

Mr. Eddie Ping Chang HO together with his associate beneficially owned 600,000 ordinary shares of HCNH, representing 50% of its issued share capital, through Hong Kong Insurance Agency Limited which was 100% owned by him together with his associate.

All the above interests in the shares and underlying shares of equity derivatives of associated corporations were long positions.

Save as aforesaid, as at 31st December, 2004, none of the directors or chief executives had any other interests or short positions in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (continued)

Share Options of the Company

The shareholders of the Company approved the termination (to the effect that no further options shall be offered) of the 1994 Share Option Scheme and the adoption of a new share option scheme (the “2003 Share Option Scheme”) both effective on 1st November, 2003.

(A) 1994 Share Option Scheme

The 1994 Share Option Scheme was terminated on 1st November, 2003. No further options may be granted under the 1994 Share Option Scheme. As at 31st December, 2004, there were no outstanding option shares under the 1994 Share Option Scheme. Details of the movement of share options under the 1994 Share Option Scheme for the six months ended 31st December, 2004 were as follows:

	Date of grant	Exercise price HK\$	Balance of outstanding options at 01/07/2004	Options granted during the period	Options exercised during the period	Options cancelled/ lapsed during the period	Balance of outstanding options at 31/12/2004	Exercise period	Closing price before date of grant falling within the period HK\$
Directors									
Gordon Ying Sheung WU	09/09/2003	9.55	8,000,000	-	8,000,000	-	-	09/03/2004 -09/09/2008	N/A
Thomas Jefferson WU	03/04/2002	6.15	2,400,000	-	2,400,000	-	-	03/10/2002 -02/10/2005	N/A
Josiah Chin Lai KWOK	28/03/2002	6.15	1,000,000	-	1,000,000	-	-	28/09/2002 -27/09/2005	N/A
Robert Van Jin NIEN	01/04/2002	6.15	1,000,000	-	1,000,000	-	-	01/10/2002 -30/09/2005	N/A
Employees of the Group									
	02/04/2002	6.15	1,800,000	-	1,800,000	-	-	02/10/2002 -01/10/2005	N/A
Total			14,200,000	-	14,200,000	-	-		

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised during the period was HK\$14.37.

(B) 2003 Share Option Scheme

The 2003 Share Option Scheme will expire on 31st October, 2013, but any options then outstanding will continue to be exercisable.

Details of the movement of share options of the Company under the 2003 Share Option Scheme for the six months ended 31st December, 2004 were as follows:

	Date of grant	Exercise price HK\$	Balance of outstanding options at 01/07/2004	Options granted during the period	Options exercised during the period	Options cancelled/ lapsed during the period	Balance of outstanding options at 31/12/2004	Exercise period	Closing price before date of grant falling within the period HK\$
Directors									
Albert Kam Yin YEUNG	08/09/2004	17.10	-	1,200,000	150,000	-	1,050,000	08/09/2004 -07/09/2007	17.00
Andy Lee Ming CHEUNG	08/09/2004	17.10	-	1,000,000	500,000	-	500,000	08/09/2004 -07/09/2007	17.00
Eddie Wing Chuen HO Junior	08/09/2004	17.10	-	500,000	-	-	500,000	08/09/2004 -07/09/2007	17.00
Total			-	2,700,000	650,000	-	2,050,000		

Other Information (continued)

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised during the period was HK\$18.99.

The fair value of the share options granted during the period with the exercise price per share of HK\$17.1 is estimated at HK\$5.05 using the Black-Scholes option pricing model. The value is estimated based on the risk free rate of 1.63% per annum with reference to the rate on the 3-year Exchange Fund Notes, an estimated historical volatility of 33.2% of the closing price of the shares of the Company for the period from 1st January, 2004 to 31st December, 2004, and assuming an expected option life of 2.7 years and same level of annual dividends as the last year's regular dividends of HK40 cents per share over the option life.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Share Options of HHI

The share option scheme of HHI was approved by the written resolutions of the then sole shareholder of HHI passed on 16th July, 2003 and approved by shareholders of the Company at the extraordinary general meeting held on 16th July, 2003 (the "Option Scheme"). The Option Scheme will expire on 15th July, 2013.

Details of the movement of share options of HHI for the six months ended 31st December, 2004 were as follows:

	Date of grant	Exercise price HK\$	Balance of outstanding options at 01/07/2004	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Balance of outstanding options at 31/12/2004	Exercise period	Closing price before date of grant falling within the period HK\$
Directors of HHI									
Leo Kwok Kee LEUNG	08/09/2004	4.875	-	2,000,000	-	-	2,000,000	08/09/2004-07/09/2007	4.875
Christopher Shih Ming IP ^(Note)	13/09/2004	4.880	-	2,000,000	2,000,000	-	-	13/09/2004-12/09/2007	4.850
Employee	08/09/2004	4.875	-	800,000	400,000	-	400,000	08/09/2004-07/09/2007	4.875
Total			-	4,800,000	2,400,000	-	2,400,000		

Note: Mr. Christopher Shih Ming IP resigned as director of HHI with effect from 5th January, 2005.

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised during the period was HK\$5.18.

Other Information (continued)

The fair values of the share options granted during the period with the exercise price per share of HK\$4.875 and HK\$4.88 are both estimated at HK\$1.47 using the Black-Scholes option pricing model. The value is estimated based on the risk free rate of 1.63% per annum with reference to the rate on the 3-year Exchange Fund Notes, an estimated historical volatility of 24.60% of the closing price of the shares of HHI for the period from 1st January, 2004 to 31st December, 2004, and assuming an expected option life of 2.7 years and same level of dividends as the last year's dividend of HK22.5 cents per share over the option life.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Substantial Shareholder

As at 31st December, 2004, to the best knowledge of the directors, the interests of person (other than directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

<i>Name</i>	<i>Capacity</i>	<i>No. of shares (corporate interests) <small>(Note)</small></i>	<i>% of issued share capital</i>
The Capital Group Companies, Inc.	Investment Manager	52,661,000	5.86%

Note: The interests represent long positions in the shares of the Company.

Save as disclosed above, the Company has not been notified of any other interest or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under section 336 of the SFO as at 31st December, 2004.

Purchase, Sale or Redemption of Securities

Other than the redemption of Notes mentioned under Financial Review section, there was no purchase, sale or redemption by the Company or any of its subsidiaries of securities of the Company during the six months ended 31st December, 2004.

Employees and Remuneration Policies

As at 31st December, 2004, there were approximately 1,095 employees in the Group, and there have been no material changes in respect of the remuneration policies and staff development programmes as disclosed in the 2004 Annual Report.

Other Information (continued)

Acquisitions and Disposals of Subsidiaries and Associates

During the period, there was no material acquisition or disposal of the Company's subsidiaries and associates.

Code of Best Practice and Model Code

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not for any part of the six months ended 31st December, 2004, in compliance with the Code of Best Practice set out in the then Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code for the period under review.

Audit Committee

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including review of the interim report for the six months ended 31st December, 2004.

Disclosure under Chapter 13 of the Listing Rules

The Sino-foreign co-operative joint venture enterprises jointly controlled by the HHI group which operate toll roads and infrastructure projects have, following listing of HHI on the Stock Exchange, been treated as subsidiaries of the Company for the purposes of rules 13.13 to 13.16, 13.20 and 13.22 of the Listing Rules. Accordingly, information on advances and financial assistance to such joint venture enterprises is no longer required to be specifically disclosed under those rules.

By order of the Board
Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 2nd March, 2005

As at the date hereof, the Directors of the Company are:

Sir Gordon Ying Sheung WU, Mr. Eddie Ping Chang HO, Mr. Josiah Chin Lai KWOK, Mr. Thomas Jefferson WU, Mr. Henry Hin Moh LEE(), Mr. Robert Van Jin NIEN, Mr. Guy Man Guy WU(#), Lady Ivy Sau Ping KWOK WU(*), Ms. Linda Lai Chuen LOKE(#), Mr. Albert Kam Yin YEUNG, Mr. Colin Henry WEIR, Mr. David Yau-gay LUI, Mr. Carmelo Ka Sze LEE(*), Mr. Andy Lee Ming CHEUNG, Mr. Eddie Wing Chuen HO Junior and Mr. Lee Yick NAM(#)*

() Non-Executive Director*

(#) Independent Non-Executive Director

Condensed Consolidated Income Statement

For the six months ended 31st December, 2004

	Notes	Six months ended	
		31.12.2003 (unaudited) HK\$'000	31.12.2004 (unaudited) HK\$'000
Turnover	3	339,729	349,060
Cost of sales and services		(178,959)	(177,199)
Other operating income	4	160,770	171,861
Selling and distribution costs		69,602	50,046
Administrative expenses		(11,200)	(11,399)
Other operating expenses	5	(87,348)	(78,658)
		(66,465)	(65,141)
Gain on disposal of a power station project	6	65,359	66,709
Loss on disposal of assets and impairment losses recognised	7	–	404,450
		(48,956)	–
Profit from operations		16,403	471,159
Gain on disposal of interests in jointly controlled entities	8	–	495,633
Gain on deemed disposal of interests in subsidiaries	9	483,847	–
Loss on cancellation of share purchase option	9	(70,000)	–
Finance costs	10	(125,959)	(53,583)
Share of profits of			
Jointly controlled entities		439,624	590,147
Associates		3,308	2,235
Profit before taxation		747,223	1,505,591
Income tax expense	11	(34,867)	(38,750)
Profit before minority interests		712,356	1,466,841
Minority interests		(86,822)	(199,106)
Net profit for the period		625,534	1,267,735
Dividends	12	351,303	377,489
Earnings per share	13	HK\$	HK\$
Basic		0.71	1.42
Diluted		0.71	1.41

Condensed Consolidated Balance Sheet

At 31st December, 2004

		30.6.2004 (audited) HK\$'000	31.12.2004 (unaudited) HK\$'000
	Notes		
ASSETS			
Non-current Assets			
Investment properties	14	5,890,800	6,097,208
Property, plant and equipment	14	552,448	550,924
Properties for or under development		907,691	1,057,627
Interests in jointly controlled entities		8,174,395	8,091,262
Interests in associates		19,426	13,293
Investments in securities	15	731,942	23,032
Long-term receivables		146,780	25,350
Pledged deposits		95,266	100,280
		16,518,748	15,958,976
Current Assets			
Inventories		8,871	11,819
Properties for sale		3,762	3,762
Investments in securities - current portion	15	1,046,195	934,122
Trade and other receivables	16	954,607	266,044
Deposits and prepayments		24,984	27,327
Loans receivable - current portion		12,878	28,647
Defeasance deposits	18	1,587,990	-
Bank balances and cash		1,029,933	3,473,614
		4,669,220	4,745,335
Total Assets		21,187,968	20,704,311

Condensed Consolidated Balance Sheet (continued)

At 31st December, 2004

	Notes	30.6.2004 (audited) HK\$'000	31.12.2004 (unaudited) HK\$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	17	2,210,205	2,247,330
Share premium and reserves		12,655,302	13,740,102
		14,865,507	15,987,432
Minority Interests		2,418,947	2,407,867
Non-current Liabilities			
Long-term borrowings	18	1,000,000	1,015,000
Amounts due to associates		11,657	10,681
Warranty provisions		164,059	164,059
Deferred tax liabilities		54,657	59,454
		1,230,373	1,249,194
Current Liabilities			
Trade and other payables	19	756,756	790,458
Rental and other deposits		78,304	76,000
Tax liabilities		130,682	45,360
Current portion of long-term borrowings	18	1,607,399	–
Bank loans, unsecured		100,000	148,000
		2,673,141	1,059,818
Total Liabilities		3,903,514	2,309,012
Total Equity and Liabilities		21,187,968	20,704,311

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st December, 2004

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	PRC statutory reserves HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st July, 2003	2,189,955	8,508,890	1,916,968	83,010	9,432	56,464	157,677	730,761	13,653,157
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	-	-	-	-	2,932	-	-	-	2,932
Share of reserves of jointly controlled entities and associates	-	-	-	-	(3,531)	-	-	-	(3,531)
Net loss not recognised in the income statement	-	-	-	-	(599)	-	-	-	(599)
Issue of shares	4,000	5,840	-	-	-	-	-	-	9,840
Share issue expenses	-	(6)	-	-	-	-	-	-	(6)
Realised on reduction of interests in subsidiaries	-	-	-	-	-	(14,116)	-	14,116	-
Transfers between reserves	-	-	-	-	-	16,465	-	(16,465)	-
Net profit for the period	-	-	-	-	-	-	-	625,534	625,534
Amounts set aside for payment of dividends	-	-	-	-	-	-	351,303	(351,303)	-
Final dividend for year ended 30th June, 2003 paid	-	-	-	-	-	-	(157,947)	-	(157,947)
At 31st December, 2003	2,193,955	8,514,724	1,916,968	83,010	8,833	58,813	351,033	1,002,643	14,129,979
At 1st July, 2004	2,210,205	8,558,817	2,131,845	83,010	(5,682)	57,421	268,631	1,561,260	14,865,507
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	-	-	-	-	(5,313)	-	-	-	(5,313)
Net loss not recognised in the income statement	-	-	-	-	(5,313)	-	-	-	(5,313)
Issue of shares	37,125	88,520	-	-	-	-	-	-	125,645
Share issue expenses	-	(50)	-	-	-	-	-	-	(50)
Realised on disposal of interests in jointly controlled entities	-	-	-	-	2,839	-	-	-	2,839
Transfers between reserves	-	-	-	-	-	6,321	-	(6,321)	-
Net profit for the period	-	-	-	-	-	-	-	1,267,735	1,267,735
Amounts set aside for payment of dividends	-	-	-	-	-	-	377,489	(377,489)	-
Final dividend for year ended 30th June, 2004 paid	-	-	-	-	-	-	(268,931)	-	(268,931)
At 31st December, 2004	2,247,330	8,647,287	2,131,845	83,010	(8,156)	63,742	377,189	2,445,185	15,987,432

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December, 2004

	<i>Six months ended</i>	
	<i>31.12.2003</i> <i>(unaudited)</i> <i>HK\$'000</i>	<i>31.12.2004</i> <i>(unaudited)</i> <i>HK\$'000</i>
Cash generated from operations before tax payments	51,432	54,133
Net taxes paid	(11,640)	(89,429)
Net cash from (used in) operating activities	39,792	(35,296)
Net cash (used in) from investing activities	(733,355)	4,465,086
Net cash from (used in) financing activities	1,346,000	(1,982,527)
Increase in cash and cash equivalents	652,437	2,447,263
Cash and cash equivalents at beginning of the period	694,604	1,029,933
Effect of foreign exchange rate changes	375	(3,582)
Cash and cash equivalents at end of the period	1,347,416	3,473,614
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,347,416	3,473,614

Notes to the Condensed Financial Statements

For the six months ended 31st December, 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Hong Kong Stock Exchange”) and with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities. The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2004.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the condensed financial statements for the six months ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. TURNOVER AND SEGMENTS

Business Segments

The businesses based upon which the Group reports its primary segment information are as follows:

Infrastructure project investments	–	investments in roads and highway projects
Property investment	–	property letting, agency and management
Property development	–	development of properties for sale
Hotel investment	–	hotel ownership and operations
Restaurants and catering	–	restaurant operations and food catering
Construction	–	construction and project management

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

3. TURNOVER AND SEGMENTS (CONTINUED)

Business Segments (continued)

Segment information about these businesses is presented below.

Segment turnover

	Six months ended 31.12.2003			Six months ended 31.12.2004		
	External HK\$'000	Inter- segment HK\$'000	Turnover HK\$'000	External HK\$'000	Inter- segment HK\$'000	Turnover HK\$'000
Infrastructure project investments	28,409	–	28,409	25,974	–	25,974
Property investment	149,789	10,836	160,625	150,090	11,073	161,163
Hotel investment	74,183	96	74,279	93,261	87	93,348
Restaurants and catering	61,383	299	61,682	74,862	249	75,111
Construction	25,965	1,500	27,465	4,873	135	5,008
Eliminations	–	(12,731)	(12,731)	–	(11,544)	(11,544)
Total turnover	339,729	–	339,729	349,060	–	349,060

Inter-segment revenue was charged at prices determined by management with reference to market prices.

Segment results

	Profit (loss) for the six months ended 31.12.2003				Profit (loss) for the six months ended 31.12.2004			
	Company and subsidiaries HK\$'000	Jointly controlled entities HK\$'000	Associates HK\$'000	Total HK\$'000	Company and subsidiaries HK\$'000	Jointly controlled entities HK\$'000	Associates HK\$'000	Total HK\$'000
Infrastructure project investments	(29,567)	434,588	–	405,021	(41,656)	506,078	–	464,422
Property investment	87,027	(318)	1,640	88,349	90,682	–	1,568	92,250
Property development	(26,803)	5,354	–	(21,449)	(4,130)	84,069	–	79,939
Hotel investment								
– Operations	18,351	–	1,822	20,173	31,851	–	–	31,851
– Loss on disposal of hotel property under development	(12,543)	–	–	(12,543)	–	–	–	–
Restaurants and catering	504	–	–	504	3,602	–	–	3,602
Construction	(1,924)	–	–	(1,924)	1,347	–	–	1,347
Other operations	(7,751)	–	(154)	(7,905)	(7,163)	–	667	(6,496)
Segment results	27,294	439,624	3,308	470,226	74,533	590,147	2,235	666,915

	Six months ended	
	31.12.2003 HK\$'000	31.12.2004 HK\$'000
Segment results		
Company and subsidiaries	27,294	74,533
Gain on disposal of a power station project	–	404,450
Interest and other income	49,280	44,799
Exchange losses	(15,447)	(12,800)
Unallocated corporate expenses	(44,724)	(39,823)
Profit from operations	16,403	471,159
Gain on disposal of interests in jointly controlled entities	–	495,633
Gain on deemed disposal of interests in subsidiaries	483,847	–
Loss on cancellation of share purchase option	(70,000)	–
Finance costs	(125,959)	(53,583)
Share of profits of		
Jointly controlled entities	439,624	590,147
Associates	3,308	2,235
Profit before taxation	747,223	1,505,591

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

3. TURNOVER AND SEGMENTS (CONTINUED)

Geographical Segments

The following table provides an analysis of the Group's turnover by geographical market:

	<i>Six months ended</i>	
	<i>31.12.2003</i>	<i>31.12.2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	309,066	320,816
Mainland China (the "PRC")	30,663	28,244
	339,729	349,060

4. OTHER OPERATING INCOME

	<i>Six months ended</i>	
	<i>31.12.2003</i>	<i>31.12.2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other operating income includes:		
Interest on bank deposits and loans receivable	40,665	28,183
Yield on held-to-maturity debt securities, after deducting premium on acquisition of HK\$28,846,000 (six months ended 31.12.2003: HK\$17,843,000) amortised	8,615	16,379

5. OTHER OPERATING EXPENSES

	<i>Six months ended</i>	
	<i>31.12.2003</i>	<i>31.12.2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other operating expenses include:		
Amortisation of cost of investments in jointly controlled entities	42,535	48,590
Exchange losses	15,447	12,800

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

6. GAIN ON DISPOSAL OF A POWER STATION PROJECT

The disposal of the Tanjung Jati B Power Station in Indonesia for a consideration of US\$306.2 million was completed in 2003. The consideration is payable by instalments over a period of 39 months. Further instalments of US\$52.9 million received by the Group have been recognised in the current period, and instalments totalling US\$32.3 million are still outstanding. Since the timing and ultimate receipt of the remaining instalments could be materially affected by the occurrence of certain events stipulated in the loan agreements and the finance lease agreements entered into by the purchasers, including, inter alia, force majeure events which would have a material adverse effect on the construction of the plant resulting in the cancellation by the lenders of the project loan facilities granted to the purchasers, such instalments will only be recognised by the Group when payments are received.

7. LOSS ON DISPOSAL OF ASSETS AND IMPAIRMENT LOSSES RECOGNISED

	<i>Six months ended</i>	
	<i>31.12.2003</i>	<i>31.12.2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of hotel property under development	(12,543)	–
Impairment losses on		
Properties in the PRC held for development	(25,000)	–
Interest in an associate	(11,413)	–
	(48,956)	–

8. GAIN ON DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES

The principal conditions stipulated in the agreements for the disposals of the Group's entire interests in two jointly controlled entities have been fulfilled in the current period. The consideration for the disposal of one of the jointly controlled entities and part of the amount due from the jointly controlled entity totalling HK\$583 million was received by the Group. The remaining amount due from that jointly controlled entity of HK\$240 million has not yet been received. The remaining outstanding balance of HK\$240 million is unsecured and will be repayable by three annual instalments commencing from 31st December, 2005. In determining the gain on disposal of that jointly controlled entity, the receipt of the sale consideration and amount repaid by that jointly controlled entity totalling HK\$583 million has been taken into account. However, the recoverability of the remaining unsecured balance of HK\$240 million is dependent on the financial position of the underlying entities which is uncertain. Accordingly, the balance has not been currently recognised.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

9. GAIN OF DEEMED DISPOSAL OF INTERESTS IN SUBSIDIARIES/LOSS ON CANCELLATION OF SHARE PURCHASE OPTION

In connection with the listing on the Hong Kong Stock Exchange of the shares of Hopewell Highway Infrastructure Limited (“HHI”), a subsidiary undertaking investments in highway projects in the PRC, HHI issued new shares to public investors, representing 25% of its enlarged issued capital, which gave rise to a gain on deemed disposal of HK\$483.8 million reported in the six month period ended 31st December, 2003.

During the six month period ended 31st December, 2003, the Group paid an amount of HK\$70 million to the holder of the options previously granted by the Company to a lender in connection with the Group’s financing arrangement as consideration for the cancellation of its subscription rights under the options which has been charged to the income statement for that period.

10. FINANCE COSTS

	<i>Six months ended</i>	
	<i>31.12.2003</i>	<i>31.12.2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on		
Bank loans and overdrafts wholly repayable within five years	14,240	5,565
Notes wholly payable within five years	72,582	18,198
Other loans wholly repayable within five years	19,090	18,673
	105,912	42,436
Other finance costs		
Loan arrangement fees and related charges	16,920	10,791
Note issue expenses amortised	3,127	356
	20,047	11,147
	125,959	53,583

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

11. INCOME TAX EXPENSE

	<i>Six months ended</i>	
	<i>31.12.2003</i>	<i>31.12.2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong	8,771	6,585
Elsewhere	2,558	5,839
	11,329	12,424
Under(over)provision in prior years		
Hong Kong	(5,754)	(2,652)
Elsewhere	198	(1,172)
	(5,556)	(3,824)
Deferred tax	3,982	4,797
Taxation attributable to the Company and subsidiaries	9,755	13,397
Share of taxation of jointly controlled entities		
Elsewhere	–	7,843
Deferred tax	23,786	17,126
	23,786	24,969
Share of taxation of associates		
Hong Kong	243	328
Elsewhere	1,083	56
	1,326	384
	34,867	38,750

Hong Kong Profits Tax is calculated at the rate of 17.5% (six months ended 31.12.2003: 17.5%) on the estimated assessable profits for the period. Taxes on profits assessable elsewhere are calculated at rates prevailing in the countries in which the Group operates.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

12. DIVIDENDS

	<i>Six months ended</i>	
	<i>31.12.2003</i>	<i>31.12.2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared		
HK 12 cents (year ended 30.6.2004: HK10 cents) per share	87,758	107,768
Special interim dividend declared		
HK 30 cents (year ended 30.6.2004: HK30 cents) per share	263,275	269,421
Additional prior period's final dividend paid on shares issued subsequent to approval of financial statements	270	300
	351,303	377,489

A final dividend of HK30 cents per share for the financial year ended 30th June, 2004 was paid to shareholders in October 2004.

The directors have declared that an interim dividend and a special interim dividend in respect of the financial year ending 30th June, 2005 of HK12 cents (year ended 30.6.2004: HK10 cents) per share and HK30 cents (year ended 30.6.2004: HK30 cents) per share respectively shall be paid to the shareholders of the Company whose names appear on the Register of Members on 24th March, 2005.

13. EARNINGS PER SHARE

	<i>Six months ended</i>	
	<i>31.12.2003</i>	<i>31.12.2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share		
Net profit for the period	625,534	1,267,735
Effect of dilutive potential ordinary shares of HHI:		
Adjustment to the Group's results arising from a dilution of HHI's earnings attributable to warrants issued	(484)	(2,172)
Earnings for the purposes of diluted earnings per share	625,050	1,265,563
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	876,827,230	893,665,219
Effect of dilutive potential ordinary shares:		
Share options	4,108,338	2,469,416
Weighted average number of ordinary shares for the purposes of diluted earnings per share	880,935,568	896,134,635

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

14. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT

During the current period, the application for the modification of the usage of an investment property was approved by the Government and in this connection a premium of approximately HK\$200 million was payable by the Group which has been capitalised as the cost of that property.

Depreciation on property, plant and equipment charged to the income statement in the period amounted to HK\$8,354,000 (six months ended 31.12.2003: HK\$5,908,000).

15. INVESTMENTS IN SECURITIES

	30.6.2004 HK\$'000	31.12.2004 HK\$'000
Held-to-maturity debt securities <i>(Note)</i>	1,757,592	934,122
Investment securities	20,545	23,032
	1,778,137	957,154
Carrying amount analysed for reporting purposes:		
Non-current	731,942	23,032
Current	1,046,195	934,122
	1,778,137	957,154

Note:

During the period, held-to-maturity debt securities with an aggregate nominal value of approximately HK\$934 million were redeemed. In addition, the Group acquired and disposed of held-to-maturity debt securities with aggregate nominal values of approximately HK\$291 million and HK\$156 million respectively during the period.

16. TRADE AND OTHER RECEIVABLES

Other than rentals receivable, which are payable upon presentation of invoices, the Group allows an average credit period of 15 to 60 days to its trade customers.

The following is an analysis of receivables outstanding at the balance sheet date:

	30.6.2004 HK\$'000	31.12.2004 HK\$'000
Receivables aged		
0 – 30 days	13,574	18,673
31 – 60 days	3,446	5,334
Over 60 days	18,221	28,172
Interest on defeasance, bank and other deposits receivable	179,549	24,748
Proceeds on disposal of investments and property, plant and equipment receivable	357,179	182,260
Retentions receivable	17,238	6,857
Dividend from a jointly controlled entity receivable	365,400	–
	954,607	266,044

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

17. SHARE CAPITAL

	<i>Number of shares</i>		<i>Nominal value</i>	
	<i>30.6.2004</i>	<i>31.12.2004</i>	<i>30.6.2004</i>	<i>31.12.2004</i>
	<i>'000</i>	<i>'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$2.50 each				
Authorised	1,200,000	1,200,000	3,000,000	3,000,000
Issued and fully paid	884,082	898,932	2,210,205	2,247,330

Share Options

(a) *The Company*

During the period, the Company granted options to certain directors to subscribe for a total of 2,700,000 ordinary shares in the Company at the subscription price of HK\$17.10 per share.

During the period, the Company issued 14,850,000 ordinary shares of HK\$2.50 each for a total cash consideration of HK\$125,645,000 pursuant to the exercise of the options previously granted.

(b) *Hopewell Highway Infrastructure Limited ("HHI")*

During the period, HHI granted to certain of its directors and an employee options to subscribe for 2,800,000 and 2,000,000 ordinary shares in HHI at the respective subscription price of HK\$4.875 and HK\$4.88 per share.

During the period, HHI issued 2,000,000 ordinary shares of HK\$0.1 each for a total cash consideration of HK\$9,760,000 pursuant to the exercise of the options previously granted.

HHI Warrants

In connection with the listing of its shares on the Hong Kong Stock Exchange in 2003, HHI issued warrants to the Company's shareholders on the basis of one warrant for every 10 shares in the Company then held. The warrants entitle the holders to subscribe for shares in HHI at a subscription price of HK\$4.18 per share subject to adjustment during the three year period commencing on 6th August, 2003.

During the period, 1,633,561 HHI warrants, carrying an aggregate subscription price of HK\$6,828,285, were exercised by the warrant holders resulting in the issuance of 1,633,561 HHI ordinary shares. A total of 85,310,029 HHI warrants remained outstanding at the balance sheet date.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

18. LONG-TERM BORROWINGS

	30.6.2004 HK\$'000	31.12.2004 HK\$'000
Unsecured		
Bank loans	1,133,555	1,015,000
Notes payable		
Principal amount	1,474,200	–
Unamortised note issue expenses	(356)	–
	2,607,399	1,015,000
Less: Portion due within one year included in current liabilities		
Bank loans	(133,555)	–
Notes payable less unamortised note issue expenses	(1,473,844)	–
	(1,607,399)	–
	1,000,000	1,015,000

During the period, the unsecured notes were fully redeemed on their maturity date. The defeasance deposits placed with a bank for this purpose were utilised.

19. TRADE AND OTHER PAYABLES

The following is an analysis of payables outstanding at the balance sheet date:

	30.6.2004 HK\$'000	31.12.2004 HK\$'000
Payables due		
0 – 30 days	152,677	271,564
31 – 60 days	58,822	5,078
Over 60 days	146,784	144,958
Retentions payable	16,395	9,043
Development expenditure payable <i>(Note)</i>	382,078	359,815
	756,756	790,458

Note:

The development expenditure payable represents construction and plant costs incurred by certain subsidiaries of the Company in connection with the Group's overseas infrastructure project, the development of which has been suspended.

20. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31st December, 2004 amounted to HK\$19,644 million (30.6.2004: HK\$18,515 million).

The net current assets of the Group at 31st December, 2004 amounted to HK\$3,686 million (30.6.2004: HK\$1,996 million).

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2004

21. PROJECT COMMITMENTS

(a) Property development expenditure

	30.6.2004 HK\$'000	31.12.2004 HK\$'000
Authorised but not yet contracted for	344,147	468,262
Contracted for but not provided	24,140	53,722
	368,287	521,984

(b) Property renovation work

	30.6.2004 HK\$'000	31.12.2004 HK\$'000
Contracted for but not provided	3,885	86,043

(c) Other commitments

The Group's share of the commitments of a jointly controlled entity in respect of property development expenditure at the balance sheet date is as follows:

	30.6.2004 HK\$'000	31.12.2004 HK\$'000
Authorised but not yet contracted for	235,000	35,577
Contracted for but not provided	11,555	201,994
	246,555	237,571

Save as disclosed herein, there have been no material changes in the Group's project commitments since 30th June, 2004.

22. CONTINGENT LIABILITIES

During the period, the legal action taken by a supplier against a subsidiary claiming, inter alia, compensation for alleged breach of contract of approximately HK\$33 million in connection with the construction of a road project in prior years was settled, resulting in no loss in the current period as the amount of settlement has been previously provided for by the Group.

Save as herein disclosed, there have been no material changes in contingent liabilities of the Group since 30th June, 2004.

23. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Company repurchased a total of 967,000 of its own shares through the Hong Kong Stock Exchange for a total consideration of HK\$18 million.



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