



HOPEWELL HOLDINGS LIMITED

2001-2002 Interim Report

合和實業有限公司

二零零一至二零零二年中期報告

FINANCIAL HIGHLIGHTS

- Earnings before interest and tax was HK\$516 million, up 7%.
- Net profit was HK\$165 million, up 3%.
- Guangzhou–Shenzhen–Zhuhai Superhighway Company Ltd. repaid the shareholders loan of US\$684 million to the Group in February 2002. The sum received has been used to effect Covenant Defeasance for the repayment of the 2004 and 2007 Notes and the exercise of the option to early redeem the 2007 Notes.

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GROUP RESULTS

For the six months ended 31st December, 2001, the unaudited Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

	Group Turnover (Note 1)		Earnings before interest and tax	
	2001	2000	2001	2000
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Infrastructure project investments	178	273	370	350
Property rental, agency and management	177	182	120	113
Hotel and food operations	128	146	17	14
Construction and project management	124	343	10	(1)
Treasury operations and others	20	17	24	30
	627	961	541	506
Corporate administrative expenses			(25)	(25)
Earnings before interest and tax (recurring) (Note 2)			516	481

Notes:

- (1) Group turnover is arrived at after eliminating inter-segment turnover of HK\$14 million (six months ended 31.12.2000 : HK\$15 million) in respect of property rental, agency and management fees.
- (2) Earnings before interest and tax (recurring) is the sum of profit from operations (before impairment loss) of HK\$277 million (six months ended 31.12.2000 : HK\$375 million) and share of results of jointly controlled entities and associates totalling HK\$239 million (six months ended 31.12.2000 : HK\$106 million).

The Group's turnover decreased by 35% to HK\$627 million, mainly attributable to the decrease in construction revenue and reduced financial income from the joint ventures as a result of low interest rate and progressive repayment of the advances made by the Group ("shareholders loan") to joint venture companies operating in the People's Republic of China ("PRC") during the period. Total toll revenue of PRC joint ventures in operation amounted to RMB1,276 million as compared to RMB1,217 million of the last corresponding period. However, as the results of the joint ventures are accounted for on an equity basis, the Group's attributable share of the revenue of the joint ventures has not been included in the Group's turnover.

The Group's earnings before interest and tax (recurring) increased by 7% to HK\$516 million, mainly due to the consistently good performance of Guangzhou-Shenzhen Superhighway and the streamlining of food operations.

The Group reported an unaudited net profit of HK\$165 million, up 3% as compared with HK\$160 million of the last corresponding period. Taking advantage of the low interest rate environment, the Group refinanced its banking facilities and as a result, interest expenses on banking facilities were significantly reduced.

Condensed Financial Statements and their accompanying notes are presented on pages 13 to 24.

INTERIM DIVIDEND AND CLOSE OF REGISTER

The Board of Directors has resolved to pay an interim dividend of HK6 cents in respect of the financial year ending 30th June, 2002 (2001: HK5 cents) per ordinary share. The dividend will be paid on or about 30th April, 2002 to those shareholders registered at the close of business on 27th March, 2002. The register of members of the Company will be closed from 22nd March, 2002 to 27th March, 2002, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Central Registration Hong Kong Limited at Shops 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 21st March, 2002.

BUSINESS REVIEW

Infrastructure

In recent years, China has been registering rapid business growth and the Guangdong Province has out-performed other provinces in economic development. In 2000, the GDP growth rate in the Guangdong Province was 10% and the number of car ownership grew by 20% as income levels have gradually been increasing. These factors lead to a higher usage of highways. The Group has invested in five toll road projects in the Pearl River Delta Region of the Guangdong Province. Four of these are in official operation. The daily average traffic flow of all the operating projects reached 359,000 vehicles in total from July to December 2001, a growth of 6% as compared to the last corresponding period. The contribution from infrastructure business accounted for 72% of the Group's earnings before interest and tax.

The Guangzhou-Shenzhen Superhighway is the principal transport route of the Pearl River Delta Region, linking the key cities of Hong Kong, Shenzhen, Dongguan and Guangzhou. Traffic flow continued to increase in parallel with the Region's growing economic development. During the review period, average daily traffic flow of the Superhighway was 121,000 vehicles, an increase of 14,000 vehicles as compared with that of the last corresponding period of 107,000 vehicles.

In February 2002, the joint venture company of the Guangzhou-Shenzhen Superhighway arranged a bank loan with a PRC bank in repayment of a total sum of approximately US\$684 million of the shareholders loan advanced by the Group. The sum received will be used to repay in due course the principal together with interest and fees payable under the Notes issued in August 1997.

Located in Shunde Municipality, the Shunde Roads and the Shunde 105 Road are two important highway networks in the western part of the Pearl River Delta Region. They are also the principal highways connecting the neighbouring municipalities. The average daily traffic of the Shunde Roads was comparable to that of last year, reaching 103,000 vehicles during the review period. As for the Shunde 105 Road, traffic continued to grow steadily with an average daily traffic flow of 102,000 vehicles, an increase of 8,000 vehicles as compared with that of the last corresponding period of 94,000 vehicles.

The Guangzhou East-South-West Ring Road ("ESW Ring Road") is built in the form of expressway surrounding downtown Guangzhou. During the past six months, average daily traffic was 33,000 vehicles. In December 2001, the joint venture company arranged a PRC financing facility in the sum of RMB1.5 billion. Part of the proceeds was to finance the project cost, and the balance was applied to repay shareholders loan advanced by the joint venture parties, of which the Group received HK\$286 million.

The Guangzhou-Zhuhai Superhighway is the Group's new investment project in the mainland. After completion, it will connect with the Shunde Roads and form one of the principal highways in the western part of the Pearl River Delta Region. With a total length of 58km, the Superhighway starts at the Hainan Interchange of the ESW Ring Road, passing through Guangzhou, Nanhai, Shunde and Zhongshan, then meets the National Route 105 to access Zhuhai. The project is to be constructed in three phases. Phase I is a 15km highway running from the ESW Ring Road to the Bigui section of the Shunde Roads. The estimated project cost for Phase I is RMB1.7 billion, which will be largely funded by Renminbi project financing. The ground breaking ceremony of Phase I construction work took place in December 2001. The Group owns a 50% profit sharing interest in this project.

Combined financial information of the PRC joint ventures in operation for the six months ended 31st December, 2001:

	RMB'million
Toll revenue	1,276
Earnings before interest and tax	919

Note:

Included in consolidated income statement are the interest income from the joint ventures and share of profits accounted for on an equity basis, totalling HK\$387 million. Toll revenue of the joint ventures has not been consolidated in the Group's turnover.

Property

Hong Kong entered economic recession in the second half of 2001. Unemployment remained high and transactions in the property market were significantly low. Despite this, rental from the Group's commercial properties was satisfactory relative to the environment. During the period of July to December 2001, the average occupancy rate of Hopewell Centre remained at 95%, which is the same as last year. In the meantime, rental from the Hongkong International Trade and Exhibition Centre ("HITEC") increased with the average occupancy rate reaching 67%, an increase of 5% as compared to the same period of last year. Most of the tenants were from production houses of conferences and exhibitions. The Group plans to incorporate the commercial usage of HITEC and is now in detailed discussion with the Government on the change of land use.

Although the rental situation of these two properties was fairly stable, the rental rate is unavoidably under downward pressure as a result of the overall weakness in the market. In view of this, the Group has been reducing operating and financial expenses and the result of this effort has been encouraging. During the review period, the property business accounted for 23% of the Group's earnings before interest and tax.

Hospitality

The local tourism industry experienced a sharp decline after the '9-11 incident' in the United States. Hong Kong's visitor arrivals recorded negative growth in September and October 2001, with visitors from the United States dropping sharply by 25%. On the other hand, the mainland market was not affected, and visitor arrivals continued to grow steadily, with a year-on-year growth of 30% in the fourth quarter, off-setting a further decline in the industry. In this market environment, the average occupancy rate of the Group's Panda Hotel for the six months ended 31st December, 2001 was 74%, a decrease of 4% over the last corresponding period. Room revenue also declined by 11%. As the Hotel targets primarily mainland tourists, the occupancy rate began to increase since the fourth quarter of 2001.

The hotel business in the mainland was comparatively steady. In the past six months, the average occupancy rate of China Hotel was 75%, an increase of 10% as compared to last year, thus upholding its reputation as a popular international hotel.

Facing intense competition in the hotel industry, the Group continued to streamline operations. During the period, the hospitality business accounted for 3% of the Group's earnings before interest and tax.

Construction

Construction of the Group's school projects contracted in the last financial year progressed satisfactorily. These projects are expected to be completed in July 2002.

The structural work of the residential project in Hong Kong's mid-levels was completed in December 2001. During the review period, the Group was awarded another sub-contract for an office block in Mong Kok where the 'slip-climbform' building method will be employed.

Others

The Group continued discussions with the Thai Government over the Bangkok Elevated Road and Train System in an effort to reach an amicable resolution.

Negotiations continued to be held between the Group and the Indonesian state-owned electricity company, PT. PLN (Persero) on the compensation for the Tanjung Jati B Power Station.

FINANCIAL REVIEW

The Group continued to adopt prudent treasury policies in managing its cash resources as well as bank borrowings. With solid recurring cash flow from operations, and existing cash and bank facilities, the Group has adequate financial resources to fund its investment projects.

The maturity profile of the Group's borrowings at 31st December, 2001 as compared with that at 30th June, 2001, is shown as follows:

	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years
At 31st December, 2001	5%	4%	41%	50%
At 30th June, 2001	7%	5%	40%	48%

The Group will continue to ensure that all activities are financed at the lowest cost available.

The Group's capitalization structure (comprising shareholders' equity and borrowings) is set out as follows:

	At 31st December, 2001 HK\$'million	At 30th June, 2001 HK\$'million
Equity	14,068	13,966
Total net debt	7,088	7,845
Total capitalization	22,028	22,394
Total net debt vs total capitalization	32%	35%
Total net debt vs equity	50%	56%

The major part of the Group's borrowings are the US dollar denominated unsecured Notes of HK\$4,630 million (before deducting the Notes repurchased by the Group), consisting of US\$200 million Notes maturing in 2004 and US\$393.6 million Notes maturing in 2007, bearing fixed interest rates of 9⁷/₈% per annum and 10¹/₄% per annum respectively. The Group's remaining borrowings carry interest at floating rates, and the majority of which are denominated either in US Dollars or Hong Kong Dollars.

In February 2002, Guangzhou-Shenzhen-Zhuhai Superhighway Company Ltd., the joint venture company, repaid the principal and interest of the shareholders loan in the amount of US\$684 million advanced by the Group. A sum has been deposited by the Group in a trust account for Covenant Defeasance in accordance with the terms governing the Notes which is sufficient for the repayment of the outstanding principal together with interest payable under the Notes, and notice has been given for early redemption of the outstanding 2007 Notes on 15th August, 2002. The early repayment of the Notes will result in further reduction of gearing of the Group and lower interest burden in due course.

PROSPECTS

The year 2002 will be a difficult period given the slowdown in economic development and the sluggish business situation. The Group, with its base in Hong Kong, will continue to focus on infrastructure and property businesses and to adjust operating costs to enhance shareholder value.

China's admission into the World Trade Organization and its successful bid for the 2008 Olympic Games will be important factors in the country's future economic growth. The Group's experience in China's infrastructure development during the past 20 years places it in an excellent position to identify and capitalize on new opportunities as they arise. At the same time, it will continue to add value to the existing activities by leveraging its expertise and capabilities to increase profitability.

During the period, steps have been taken to strengthen the financial base by implementing a series of refinancing programs. In view of the low interest rate environment in the global financial markets, the Group will continue to seek opportunities to improve its financial arrangements so as to further strengthen the financial structure and improve cash flow.

To strengthen the overall management of the Group, a number of new appointments have been made to the Board since the beginning of 2002 (see 'Changes of Directors' for details), which is expected to provide clearer strategic directions and renewed energy to steer the Group towards solid and stable growth in the future.

CHANGES OF DIRECTORS

With effect from 1st January, 2002, Mr. Eddie Ping Chang HO succeeded Sir Gordon Ying Sheung WU as the Managing Director of the Company while Sir Gordon Ying Sheung WU continued to act as the Chairman of the Board. On the same date, Messrs. Josiah Chin Lai KWOK, Thomas Jefferson WU and Alan Chi Hung CHAN were appointed the Deputy Managing Director, the Chief Operating Officer and an Executive Director of the Company respectively.

Mr. Henry Hin Moh LEE retired from his executive duties of the Company with effect from 31st December, 2001 and continues as a Non-Executive Director. Mr. Joachim BURGER resigned as an Executive Director of the Company with effect from 28th February, 2002.

The Board would like to welcome all the new appointments as well as to express appreciation towards Mr. Joachim BURGER's valuable contribution to the Company.

DISCLOSURE OF ADDITIONAL INFORMATION IN ACCORDANCE WITH THE LISTING RULES

Acquisitions and Disposals of Subsidiaries and Associates

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

Employees

There were approximately 1,171 employees in the Group as at 31st December, 2001. The Group continues to provide remuneration packages to employees with reference to prevailing market practices and individual performances. Various benefits include medical and personal accident insurance coverage are also provided to employees. Different types of training programs are conducted on an on-going basis throughout the Group.

A share option scheme has been established by the Company since 11th October, 1994 for granting options to directors and employees of the Group. As at 31st December, 2001, no options have been granted since the date of adoption.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed on auditing, internal control and financial report matters including the review of the unaudited interim financial statements.

Code of Best Practice

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 accounting period covered by this interim report, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited.

Practice Note 19 of the Listing Rules

The Company through its subsidiaries has entered into contractual joint venture agreements and has undertaken substantial investments for development of certain infrastructure and property projects. The capital investments and advances made to the joint venture companies and associated companies ("the Affiliated

Companies") were classified and disclosed under the headings "Interests in Jointly Controlled Entities" and "Interests in Associates" in the condensed consolidated balance sheet as at 31st December, 2001.

A proforma combined balance sheet of the Affiliated Companies as at 31st December, 2001, is presented below:

	Combined total HK\$'million	Funds injected by the Group HK\$'million
Total assets	21,671*	
Financed by:		
Registered capital/share capital	2,388	1,607#
Accumulated losses	(887)^	
	1,501	
Long term liabilities		
– Advances from shareholders/ joint venture partners/ related companies	13,671	8,012#
– Other long-term loans	5,720	
	19,391	
Current liabilities	779	98
Total equity and liabilities	21,671*	9,717

* With the exception of the investments in the two property-development joint ventures which are immaterial, all property, plant and equipment, including essential production facilities, will be reverted to PRC joint venture partners without compensation at the end of the joint venture co-operation period. Disclosure of the attributable interests of the Group in the assets and liabilities of the Affiliated Companies is deemed not appropriate.

^ Accumulated losses are mainly attributed to interest expenses incurred during the trial operation of the toll roads before commencement of the joint venture co-operation period.

As at 31st December, 2001, the Group had made unsecured capital contributions and advances of HK\$702 million and HK\$5,765 million respectively to the joint venture company, Guangzhou-Shenzhen-Zhuhai Superhighway Co. Ltd., which undertakes the Guangzhou-Shenzhen Superhighway project. A portion of the total amount amounting to HK\$113 million carries interests at 10.1244% per annum and is repayable in cash by quarterly instalments, the last of which will fall due in December 2003. The remaining portion, substantially all of which carried interest at LIBOR plus 1.5% per annum, had no fixed repayment terms and was repayable out of the net cash surplus from operation of the joint venture company. Subsequent to the balance sheet date, the joint venture company repaid the shareholder loans of approximately US\$684 million, the details of which are referred to in Note 17 to the condensed financial statements.

As at 31st December, 2001, the Group had made unsecured capital contributions and advances of approximately HK\$221 million and HK\$957 million respectively to the joint venture company, Guangzhou E-S-W Ring Road Company Limited, which undertakes the Guangzhou East-South-West Ring Road project. The advances are unsecured, interest free with no fixed repayment terms and are repayable out of the net cash surplus from operation of the joint venture company. As at that date, the Group has also provided a guarantee to the extent of approximately HK\$707 million in respect of banking facilities granted to the joint venture company.

Substantial Shareholders

Save as disclosed under the section headed "Directors' Interest in Shares", as at 31st December, 2001, the Company had not been notified by any person, not being a director of the Company, of interests in the share capital of the Company required to be recorded in the register under Section 16(1) of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance").

Directors' Interest in Shares

As at 31st December, 2001, the beneficial interests of the directors and their associates in the shares of the Company and its associated corporations (as defined by the SDI Ordinance) were as follows:

(a) Beneficial Interests in Shares in the Company

Directors	Personal	Family	Corporate	Other	Total
Gordon Ying Sheung WU	74,443,893	113,730,592(i)	123,187,019	30,670,093	250,204,287(iii)
Eddie Ping Chang HO	19,360,000	246,000	1,980,000	-	21,586,000
Thomas Jefferson WU	12,333,800	-	810,092	-	13,143,892
Henry Hin Moh LEE	2,795,322	-	-	-	2,795,322
Robert Van Jin NIEN	100,000	-	-	-	100,000
Guy Man Guy WU	2,645,650	-	-	-	2,645,650
Ivy Sau Ping Kwok WU	21,903,282	228,301,005(ii)	61,157,217	30,670,093	250,204,287(iii)
Linda Lai Chuen LOKE	-	1,308,981	-	-	1,308,981
Joachim BURGER	39,776	-	-	-	39,776
David Yau-gay LUI	8,537	-	-	-	8,537

Notes:

- (i) The family interests of 113,730,592 shares represent the interests of Lady Ivy Sau Ping Kwok WU, the wife of Sir Gordon Ying Sheung WU. This figure includes 61,157,217 shares held by the couple through corporations. Accordingly, 61,157,217 shares are duplicated in the corporate interests column.

The figure of 113,730,592 shares also includes 30,670,093 shares which are held by the couple in joint name. Accordingly, 30,670,093 shares are duplicated in the other interests column.

- (ii) The family interests of 228,301,005 shares represent the interests of Sir Gordon Ying Sheung WU, the husband of Lady Ivy Sau Ping Kwok WU. This figure includes 61,157,217 shares held by the couple through corporations. Accordingly, 61,157,217 shares are duplicated in the corporate interests column.

The figure of 228,301,005 shares also includes 30,670,093 shares which are held by the couple in joint name. Accordingly, 30,670,093 shares are duplicated in the other interests column.

- (iii) The disclosures of total interests of 250,204,287 shares made by Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping Kwok WU are arrived at after eliminating the duplications referred to in (i) and (ii) respectively. Both disclosures relate to the same parcel of shares.

(b) Beneficial Interests in Shares in Associated Corporations

Directors	Name of Company	Personal	Family	Corporate	Total
Eddie Ping Chang HO	HCNH Insurance Brokers Limited	-	-	300,000(i)	300,000
	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(ii)	(ii)
Thomas Jefferson WU	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(iii)	(iii)
Joachim BURGER	Mega Hotels Management Limited	297,000	-	-	297,000
Victor Tzar Kuoi LI	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(iv)	(iv)

Notes:

- (i) Mr. Eddie Ping Chang HO together with his associate beneficially owned 100% of the issued share capital of Hong Kong Insurance Agency Limited which in turn owned 300,000 ordinary shares of HCNH Insurance Brokers Limited, an associated company of the Company, representing one-third of its issued share capital.
- (ii) The 10¹/₄% Notes due 2007 for a face amount of US\$12,275,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by a company in which Mr. Eddie Ping Chang HO was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (iii) The 10¹/₄% Notes due 2007 for a face amount of US\$9,250,000 and the 9⁷/₈% Notes due 2004 for a face amount of US\$4,850,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. were beneficially owned by a company in which Mr. Thomas Jefferson WU was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (iv) The 10¹/₄% Notes due 2007 for a face amount of US\$8,000,000 and the 9⁷/₈% Notes due 2004 for a face amount of US\$7,500,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. were beneficially owned by a company in which Mr. Victor Tzar Kuoi LI was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (v) Certain directors held shares in certain subsidiaries as nominees for their holding companies.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries of shares in the Company during the period.

By Order of the Board
Eddie Ping Chang HO
Managing Director

Hong Kong, 4th March, 2002

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st December, 2001

	Note	(unaudited)	
		Six months ended	
		31.12.2001 HK\$'000	31.12.2000 HK\$'000
Turnover	4	627,143	960,519
Cost of sales and services		(253,537)	(514,891)
		373,606	445,628
Other revenue		6,221	15,029
Selling and distribution costs		(8,160)	(11,400)
Administrative expenses		(67,008)	(58,041)
Other operating expenses		(27,390)	(16,602)
Profit from operations before impairment loss		277,269	374,614
Impairment loss on a hotel property under development		–	(290,000)
Profit from operations after impairment loss	4	277,269	84,614
Finance costs	5	(337,982)	(379,650)
Profit on partial disposal of interest in a jointly controlled entity		–	375,123
Share of results of			
– jointly controlled entities		215,434	96,018
– associates		23,683	9,952
Profit from ordinary activities before taxation		178,404	186,057
Taxation	7	(8,960)	(24,582)
Profit before minority interests		169,444	161,475
Minority interests		(4,187)	(1,566)
Net profit for the period		165,257	159,909
Dividend	8	52,559	43,799
Earnings per share	9	HK cents	HK cents
Basic		18.9	18.3

CONDENSED CONSOLIDATED BALANCE SHEET

At 31st December, 2001

	Note	31.12.2001 (unaudited) HK\$'000	30.6.2001 (audited and restated) HK\$'000
Non-current Assets			
Investment properties		6,388,482	6,384,800
Property, plant and equipment		1,118,313	1,118,985
Properties for or under development		686,609	662,571
Interests in jointly controlled entities		13,883,696	14,568,863
Interests in associates		119,877	118,577
Other investments		40,639	40,159
Long-term loans receivable		338,057	338,143
Pledged bank deposits		89,916	87,376
		22,665,589	23,319,474
Current Assets			
Inventories		12,216	10,317
Properties for sale		3,762	3,762
Trade and other receivables	10	108,322	130,554
Deposits and prepayments		189,117	184,142
Amounts due from customers for contract work		28	4,520
Current portion of long-term loans receivable		116,732	95,088
Bank balances and cash		657,871	446,303
		1,088,048	874,686
Current Liabilities			
Trade and other payables	11	1,239,818	1,229,191
Rental and other deposits		74,333	76,072
Amounts due to customers for contract work		19,889	34,833
Provision for taxation		205,623	211,904
Current portion of Long-term borrowings	14	219,973	194,825
Warranties		156,000	78,000
Bank loans and overdrafts		184,094	380,509
		2,099,730	2,205,334
Net Current Liabilities		(1,011,682)	(1,330,648)
		21,653,907	21,988,826
Capital and Reserves			
Share capital	12	2,189,955	2,189,955
Reserves	13	11,877,852	11,775,595
		14,067,807	13,965,550
Minority Interests			
		17,215	13,028
Non-current Liabilities			
Long-term borrowings	14	7,267,090	7,631,524
Warranties		242,059	320,059
Amounts due to associates		59,736	58,665
		7,568,885	8,010,248
		21,653,907	21,988,826

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31st December, 2001

	Six months ended	
	31.12.2001 (unaudited) HK\$'000	31.12.2000 (unaudited) HK\$'000
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	(1,681)	813
Share of exchange equalisation reserve of jointly controlled entities and associates	–	(602)
Adjustment to cost of investment property dealt with in revaluation reserve	–	18,082
Net (losses) gains not recognised in the condensed consolidated income statement	(1,681)	18,293
Net profit for the period	165,257	159,909
Total recognised gains	163,576	178,202
		At 1.7.2000 HK\$'000
Prior period adjustments arising from changes in accounting policies (note 3)		
Effect on reserves at 1st July, 2000		
– increase in capital reserve		70,285
– increase in dividend reserve		52,559
– decrease in retained profits		(43,696)
		79,148

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December, 2001

	Six months ended	
	31.12.2001 (unaudited) HK\$'000	31.12.2000 (unaudited) HK\$'000
Net cash inflow from operating activities	133,499	68,056
Net cash outflow from returns on investments and servicing of finance	(341,768)	(377,536)
Net cash outflow from taxation	(2,958)	(8,793)
Net cash inflow from investing activities	968,160	901,003
Net cash inflow before financing	756,933	582,730
Net cash outflow from financing	(493,395)	(434,051)
Increase in cash and cash equivalents	263,538	148,679
Cash and cash equivalents at beginning of the period	393,794	448,526
Effect of foreign exchange rate changes	445	2,234
Cash and cash equivalents at end of the period	657,777	599,439

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2001

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 "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The accounting policies adopted for the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2001, except as described below.

In the current period, the Group has adopted a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new/revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 3).

Provisions

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of general provision. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 3).

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the six months ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Amortisation in respect of goodwill between the date of acquisition of the relevant subsidiary, associate or jointly controlled entity and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary, associate or jointly controlled entity and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of these adjustments is summarised in Note 3. Following the adoption of SSAP 30, goodwill arising on acquisition will be capitalised and amortised on a straight-line basis over its useful economic life. Negative goodwill will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which such goodwill resulted.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2001

3. PRIOR PERIOD ADJUSTMENTS

The financial effects of the adoption of the new/revised accounting policies described in Note 2 are summarised below:

	Capital reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1st July, 2000				
As previously stated	12,711	–	314,627	327,338
Derecognition of liability for final dividend for the year ended 30th June, 2000	–	52,559	–	52,559
Derecognition of provision for hotel maintenance	–	–	26,589	26,589
Adoption of SSAP 30 with retrospective effect:				
– Goodwill previously eliminated against capital reserve amortised	99,992	–	(99,992)	–
– Negative goodwill previously credited to capital reserve released to income	(29,707)	–	29,707	–
As restated	82,996	52,559	270,931	406,486

The adoption of the new/revised accounting policies would not result in material impacts on the results of the Group for the current and prior periods.

4. TURNOVER AND CONTRIBUTION

(a) The turnover and contribution of the Group analysed by activities are as follows:

	Turnover Six months ended		Contribution Six months ended	
	31.12.2001 HK\$'000	31.12.2000 HK\$'000	31.12.2001 HK\$'000	31.12.2000 HK\$'000
Infrastructure project investments	177,588	272,770	152,138	247,865
Property investment and management				
– property letting	185,793	190,506	120,591	115,664
– agency and management	5,619	6,263	474	1,610
Hospitality services				
– hotel operations and management	66,809	74,733	8,150	10,043
– restaurant operations and food catering	61,003	71,088	2,131	(2,904)
– impairment loss on a hotel property under development	–	–	–	(290,000)
Construction and project management	123,920	342,923	7,200	(1,227)
Treasury operations – interest income	19,713	16,122	19,713	16,122
Others	581	948	(7,745)	12,630
Elimination of inter-segment revenue (Note)	(13,883)	(14,834)		
	627,143	960,519	302,652	109,803
Less: Unallocated administrative expenses			(25,383)	(25,189)
Profit from operations after impairment loss			277,269	84,614

Note:

Inter-segment revenue comprised of property rentals of HK\$11,279,000 (six months ended 31.12.2000: HK\$12,145,000) and property agency and management service fees of HK\$2,604,000 (six months ended 31.12.2000: HK\$2,689,000) charged to other segments.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2001

4. TURNOVER AND CONTRIBUTION (continued)

(b) The turnover and contribution of the Group analysed by geographical locations are as follows:

	Turnover Six months ended		Contribution Six months ended	
	31.12.2001 HK\$'000	31.12.2000 HK\$'000	31.12.2001 HK\$'000	31.12.2000 HK\$'000
Hong Kong	434,407	645,720	103,592	111,108
Other regions in the People's Republic of China	179,003	279,822	170,392	249,600
Republic of Malta	–	–	(8,365)	(290,000)
Other locations	13,733	34,977	11,650	13,906
	627,143	960,519	277,269	84,614

5. FINANCE COSTS

	Six months ended	
	31.12.2001 HK\$'000	31.12.2000 HK\$'000
Interest on		
– Bank loans and overdrafts	90,948	229,421
– Notes payable	223,574	240,353
– Warranties payable	11,699	15,596
Note issue expenses amortised	8,746	8,659
Other finance costs	6,015	10,903
	340,982	504,932
Less: Interest capitalised	(3,000)	(16,174)
Interest borne by a jointly controlled entity	–	(109,108)
	337,982	379,650

6. DEPRECIATION AND AMORTISATION

Depreciation and amortisation charged to the income statement are as follows:

	Six months ended	
	31.12.2001 HK\$'000	31.12.2000 HK\$'000
Depreciation of property, plant and equipment	3,604	8,059
Amortisation of		
– cost of investments in jointly controlled entities	18,972	16,602
– note issue expenses	8,746	8,659

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2001

7. TAXATION

	Six months ended	
	31.12.2001 HK\$'000	31.12.2000 HK\$'000
The charge comprises:		
The Company and subsidiaries		
Hong Kong Profits Tax	616	1,669
Taxation elsewhere	359	14,198
	975	15,867
Jointly controlled entities		
Taxation elsewhere	3,591	5,440
Associates		
Hong Kong Profits Tax	383	401
Taxation elsewhere	4,011	2,874
	4,394	3,275
	8,960	24,582

Provision for Hong Kong Profits Tax is calculated at the rate of 16% (six months ended 31.12.2000: 16%) 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.

Deferred taxation has not been provided on the increase or decrease arising on revaluation of investment properties as the profits or losses arising from disposal of these assets would not be subject to taxation. Accordingly, the valuation increase or decrease does not constitute a timing difference for deferred tax purposes.

8. DIVIDEND

In November 2001, a final dividend for the financial year ended 30th June, 2001 of 7 HK cents (year ended 30.6.2000: 6 HK cents) per ordinary share was paid to shareholders.

The directors have determined that an interim dividend in respect of the financial year ending 30th June, 2002 of 6 HK cents (year ended 30.6.2001: 5 HK cents) per ordinary share totalling HK\$52,559,000 (year ended 30.6.2001: HK\$43,799,000) shall be paid to the shareholders of the Company whose names appear in the Register of Members on 27th March, 2002.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$165,257,000 (six months ended 31.12.2000: HK\$159,909,000) and on 875,982,121 (six months ended 31.12.2000: 875,982,121) ordinary shares in issue during the period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2001

10. 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:

	31.12.2001 HK\$'000	30.6.2001 HK\$'000
Receivables aged		
0 – 30 days	52,917	81,910
31 – 60 days	10,012	6,936
Over 60 days	10,835	7,685
Retention receivables	34,558	34,023
	108,322	130,554

11. TRADE AND OTHER PAYABLES

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

	31.12.2001 HK\$'000	30.6.2001 HK\$'000
Payables due		
0 – 30 days	171,607	184,586
31 – 60 days	172,849	171,378
Over 60 days	171,020	155,534
Retention payables	34,655	32,660
Development expenditure payable (Note)	689,687	685,033
	1,239,818	1,229,191

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 projects, the development of which has been suspended. Payments for the expenditure are overdue and have been withheld by the relevant subsidiaries pending the outcome of negotiations currently undertaken to recover the costs of investments in these projects.

12. SHARE CAPITAL

	Number of ordinary shares of HK\$2.50 each '000	Nominal value HK\$'000
Authorised:		
At 31st December, 2001 and 30th June, 2001	1,200,000	3,000,000
Issued and fully paid:		
At 31st December, 2001 and 30th June, 2001	875,982	2,189,955

There were no changes in the share capital of the Company in either of the periods presented.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2001

13. RESERVES

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange equalisation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st July, 2000							
– as previously stated	8,508,890	2,612,053	12,711	4,399	–	314,627	11,452,680
– prior period adjustments (Note 3)	–	–	70,285	–	52,559	(43,696)	79,148
– as restated	8,508,890	2,612,053	82,996	4,399	52,559	270,931	11,531,828
Final dividend for the year ended 30th June, 2000 paid	–	–	–	–	(52,559)	–	(52,559)
Revaluation increase	–	40,815	–	–	–	–	40,815
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	–	–	–	(8,843)	–	–	(8,843)
Share of reserves of jointly controlled entities and associates	–	–	–	(31)	–	–	(31)
Reserve realised on disposal of subsidiaries	–	–	14	2,660	–	–	2,674
Net profit for the year	–	–	–	–	–	305,510	305,510
Interim dividend for the year ended 30th June, 2001 declared and paid	–	–	–	–	–	(43,799)	(43,799)
Final dividend for the year ended 30th June, 2001 proposed	–	–	–	–	61,319	(61,319)	–
At 30th June, 2001	8,508,890	2,652,868	83,010	(1,815)	61,319	471,323	11,775,595
Final dividend for the year ended 30th June, 2001 paid	–	–	–	–	(61,319)	–	(61,319)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	–	–	–	(1,681)	–	–	(1,681)
Net profit for the period	–	–	–	–	–	165,257	165,257
Interim dividend for the year ending 30th June, 2002 declared	–	–	–	–	52,559	(52,559)	–
At 31st December, 2001	8,508,890	2,652,868	83,010	(3,496)	52,559	584,021	11,877,852

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2001

14. LONG-TERM BORROWINGS

	31.12.2001 HK\$'000	30.6.2001 HK\$'000
Unsecured notes payable		
Principal outstanding (Note)	4,414,409	4,493,541
Unamortized note issue expenses	(74,375)	(84,694)
Secured bank loans	3,100,676	3,371,268
Other unsecured loan	46,353	46,234
	7,487,063	7,826,349
Less: Portion due within one year included in current liabilities	(219,973)	(194,825)
	7,267,090	7,631,524

Note:

The aggregate principal value of notes outstanding at 31st December, 2001 is approximately US\$593.6 million (30.6.2001: US\$593.6 million). The Group's liability shown above is presented net of the notes with an aggregate principal value of approximately US\$27.5 million (30.6.2001: US\$17.5 million) repurchased and held by the Group at the balance sheet date.

15. CHARGES ON ASSETS AND OPTIONS TO ACQUIRE SHARES IN A SUBSIDIARY

- (a) The Group's interest in a jointly controlled entity engaging in the development of infrastructure projects have been pledged to secure the bank loan facilities granted to the Group which were utilised to the extent of approximately HK\$632 million (30.6.2001: HK\$1,190 million) at the balance sheet date.
- (b) Other credit facilities of the Group to the extent of approximately HK\$2,922 million (30.6.2001: HK\$2,934 million) were secured by mortgages or charges on the Group's properties, bank deposits and other assets with an aggregate carrying value of approximately HK\$7,288 million (30.6.2001: HK\$7,186 million).
- (c) Under an arrangement in connection with the credit facilities granted to the Group, the Group has granted an option, at nominal consideration, to the lender to purchase to the extent of 5% of the interest in a subsidiary which acts as the holding company of subsidiaries operating principally in the People's Republic of China. The option is only exercisable upon the future successful public flotation of this subsidiary at a price per share which would be the same as the share price of the subsidiary's shares available for public subscription.

16. COMMITMENTS AND CONTINGENCIES

At 30th June, 2001, the Group had outstanding commitment of approximately RMB450 million in respect of advances to a jointly controlled entity to finance the development of its infrastructure project. During the period, the jointly controlled entity has obtained a bank loan of RMB1,500 million, which is guaranteed by the Group to the extent of 50% of the loan utilised, to finance its project and the Group's aforementioned commitment was discharged. Such bank loan outstanding at the balance sheet date was RMB845 million and was subsequently utilized by the jointly controlled entity to the extent of RMB1,451 million.

Except as disclosed above, there have been no material changes in commitments and contingent liabilities since 30th June, 2001.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31st December, 2001

17. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group's jointly controlled entity, Guangzhou-Shenzhen-Zhuhai Superhighway Company Ltd. repaid the loans advanced by the Group amounting to an aggregate of approximately US\$684 million. The Group has effected a covenant defeasance by placing a sum with the trustee of the notes as referred to in Note 14 sufficient for the repayment of the outstanding principal together with interests payable under the notes. The Group has also resolved to exercise the option to early redeem in August 2002 the notes due in 2007 with an aggregate outstanding principal of approximately US\$372 million pursuant to the terms of the notes.



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