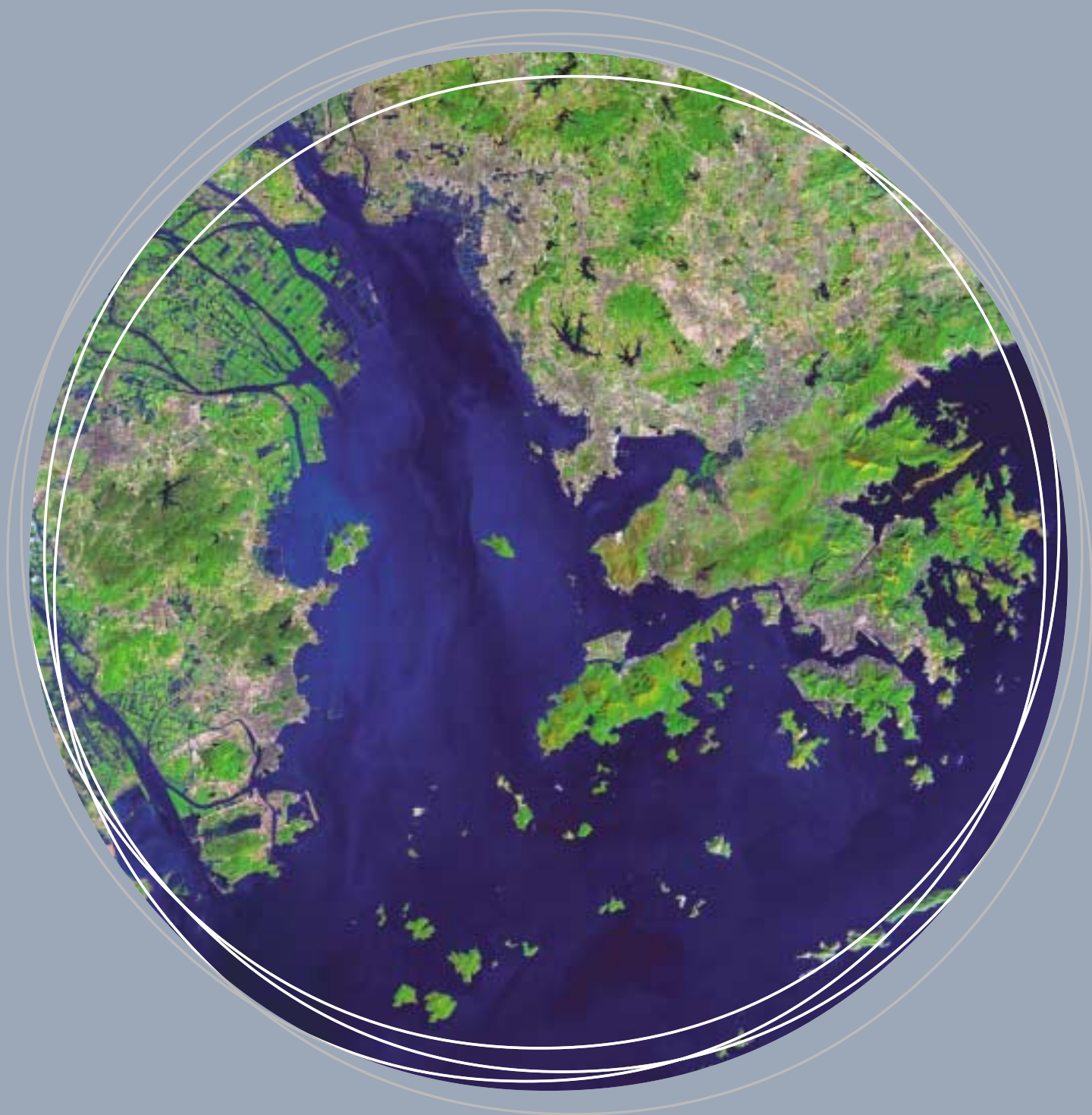




HOPEWELL
Holdings Limited
2003-2004 Interim Report
合和實業有限公司
二零零三至二零零四年中期報告



Highlights

- **Net profit jumped 256% to HK\$626 million**
- **Interim dividend HK10 cents per share, plus special interim dividend HK30 cents per share**
- **33% increase in road infrastructure projects EBIT**
- **HK\$484 million IPO gain from Hopewell Highway Infrastructure listing**
- **Net debts reduced to HK\$301 million & gearing ratio decreased to 2%**
- **Western Delta Route Phase I to be completed ahead of schedule in May 2004**

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Group Results

For the six months ended 31st December, 2003, the Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

	Turnover		Earnings before interest and tax	
	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million
Infrastructure project investment				
— Operating	5	5	272	382
— Financing	32	23	32	23
Property letting, agency & management	167	150	112	88
Hotel operations, restaurant & catering	131	136	23	21
Construction & project management	112	26	(34)	(2)
Others	—	—	46	(4)
	<u>447</u>	<u>340</u>	<u>451</u>	<u>508</u>
			Results	
			2002 HK\$ million	2003 HK\$ million
Earnings before interest and tax ^(Note 1)			451	508
Loss on disposal of property under development			—	(13)
Provision for impairment losses			—	(36)
IPO gain			—	484
Cancellation of share option			—	(70)
Finance costs ^(Note 2)			(233)	(126)
Taxation ^(Note 3)			(36)	(35)
Minority interests			(6)	(86)
Net profit ^(Note 3)			<u>176</u>	<u>626</u>

Notes:

- (1) Earnings before interest and tax is the sum of (i) profit from operations before provision for impairment losses and loss on disposal of property under development of HK\$65 million (2002: HK\$117 million); and (ii) share of results of jointly controlled entities and associates of HK\$443 million (2002: HK\$334 million).
- (2) The amount included interest expenses and related finance costs of Notes totalling HK\$76 million (2002: HK\$162 million).
- (3) The comparative figure of last corresponding period has been restated following the adoption of the SSAP No. 12 (Revised) "Income Taxes" retrospectively.

The Group's turnover for the six months ended 31st December, 2003 was HK\$340 million as compared with HK\$447 million for the last corresponding period. Since equity accounting method is adopted, turnover attributable to the Group from the PRC Joint Ventures (the "Joint Ventures") has not been accounted for in the Group's turnover. Toll revenue of the Guangzhou-Shenzhen Superhighway ("GS Superhighway") and Guangzhou ESW Ring Road joint venture amounted to RMB1,399 million for the six months ended 31st December, 2003, representing a 22% increase from the same period of the previous year.

The Group's earnings before interest and tax ("EBIT") was HK\$508 million as compared with HK\$451 million of the last corresponding period, representing an increase of 13%, mainly due to the increase in traffic and toll revenue of GS Superhighway, which under the equity accounting method, is reflected in the Group's attributable share of results from the Joint Ventures.

The Group reported an unaudited net profit of HK\$626 million, a 256% increase as compared with the last corresponding period. The increase, after deducting the cost for share option cancellation and the results of Hopewell Highway Infrastructure Limited ("HHI") attributable to minority shareholders, was mainly from the encouraging results of the road infrastructure projects of HK\$382 million (or 40% increase as compared with the last corresponding period), lower finance cost of HK\$126 million as compared to HK\$233 million of the last corresponding period resulting from the lower debt level, and IPO gain of HK\$484 million due to the listing of HHI in August 2003.

Interim Dividends and Close of Register

The Board of Directors has resolved to pay an interim dividend of HK10 cents (2003: HK7 cents) and a special interim dividend of HK30 cents (2003: Nil) per ordinary share in respect of the financial year ending 30th June, 2004. The dividends will be paid on or about 25th March, 2004 to those shareholders as registered at the close of business on 18th March, 2004. The register of members of the Company will be closed from 15th March, 2004 to 18th March, 2004, 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 Shops 1712-6, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 12th March, 2004.



Business Review

Investment Property

Office leasing in the market remained soft during 2003, mainly as a result of a slow domestic economy. Office rents had further dropped compared with early 2003 due to substantial new office developments coming on to the market. However, leasing of Hopewell Centre remained satisfactory; overall average occupancy for the six months period ended 31st December, 2003 was maintained at the same level of last corresponding period at 91%. Proactive leasing strategy was implemented to secure optimum return from the rental. In order to provide a better environment and better services to the tenants, a comprehensive renovation program also started in mid 2003. In view of the recent recovery of the economy in Hong Kong, we expect in 2004 both office and retail leasing activities will become more active and the rental rate will increase gradually.

During the review period, new supply of office buildings adjacent to our Hongkong International Trade and Exhibition Centre (HITEC), has added the challenge to the business of HITEC. However, the average occupancy for the period under review at HITEC was still maintained at 63% as compared to 65% of the same period last year. Following the consent of the District Lands Conference on the terms of the lease modification relating to the usage for commercial purposes, a new retail and entertainment concept is being developed to explore the conversion of HITEC to a prominent landmark in Kowloon East. In July, 2003, a new tenant began operating leisure and club activities and this would be bringing in value to the business of HITEC.

Property under Development

Nova Taipa Gardens

Nova Taipa Gardens, a joint venture development of residential, commercial, social amenities, and a hotel on Taipa Island in Macau, is now moving to its Phase II which consists of 13 residential blocks. During the 6-month period under review, the building plan for this phase has been further refined to meet the current market conditions and was approved in September 2003. The foundation work for Phase II was completed and the superstructure work for the first five residential blocks is due to commence soon.

Huadu Property Development Project

The property project in Huadu District of Guangzhou is a 95%-owned joint venture for residential, commercial and logistics developments on a site of about 733,000 sq. m. (7.89 million sq. ft.). During the review period, the master layout plan for the entire development was approved and the construction works for roads and sample townhouses have commenced. The initial development, comprising townhouses and high-rise residential units, is progressing according to schedule.

Mega Tower Hotel

Mega Tower Hotel is the Group's latest hotel development in Hong Kong. A planning application made to the Town Planning Board in October 2003 was withdrawn in December 2003 for comments from various interested parties. Under the latest plan, the project will comprise two hotel blocks with about 2,300 guest rooms, retail shops, cinemas, multi-purpose conference rooms and auditorium facilities. The Group has successfully acquired the last two property units in the proposed site in the review period and plans to resubmit a revised proposal to the Town Planning Board in the first quarter of 2004.

Hospitality

Panda Hotel

Hong Kong's hotel industry which had a traumatic experience for several months from the effects of SARS, enjoyed a swift business revival in the last quarter of 2003. This was mainly due to the lifting of visa restrictions in designated cities in China, as well as the co-operation of Hong Kong government and trade promotions. Benefiting from the recovery of the travel industry and the favorable travel policy, Panda Hotel registered better performance with total revenue increasing by about 3% compared to the same period last year. The average occupancy for the period was at about 80%, as compared with about 83% of the same period last year, and the average room rate increased by about 5%. In order to increase our competitiveness, Panda Hotel has undertaken renovation works for guest rooms, restaurants and function rooms during the beginning of the financial year. With the further relaxation of travel/business restrictions in designated cities in China, we would expect both the occupancy rate and average room rate to continue the upward improvement in 2004.

Restaurant & Catering Services

Restaurant & catering services has also gradually recovered from SARS. A series of promotions was launched to draw guests back into our restaurants. Special packages were also offered to attract both wedding banquets as well as annual dinners. In view of the recent recovery of the economy in Hong Kong, we would expect the business to improve significantly in 2004.

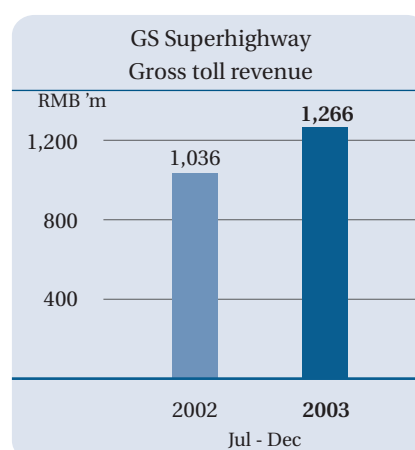
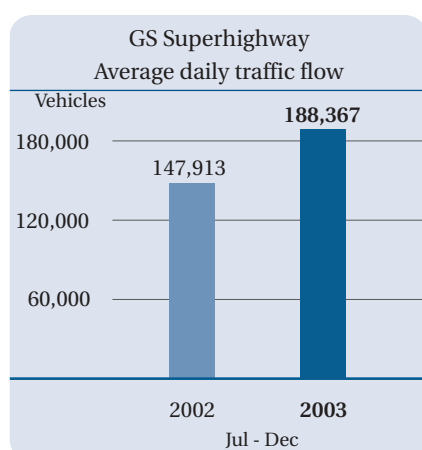
Infrastructure

On 6th August, 2003, the Group listed its subsidiary, HHI, on The Main Board of the Stock Exchange of Hong Kong Limited, raising over HK\$3 billion. The Company will continue to operate its own core businesses of property and hospitality while retaining approximately 75% shareholding in HHI.

Hopewell Highway Infrastructure Limited

HHI has invested in three toll road projects across the Pearl River Delta region of Guangdong Province. Two of these projects with a combined road length of over 160 km are operational and have exhibited remarkable growth in terms of traffic volume and toll revenue.

Guangzhou-Shenzhen Superhighway (“GS Superhighway”)



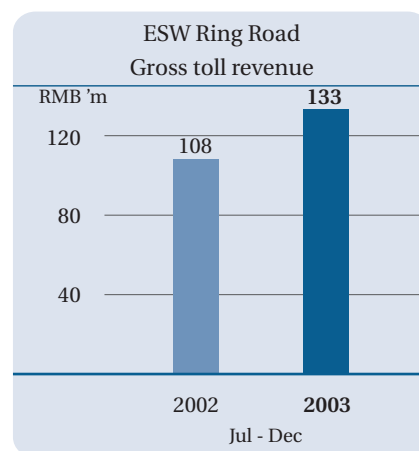
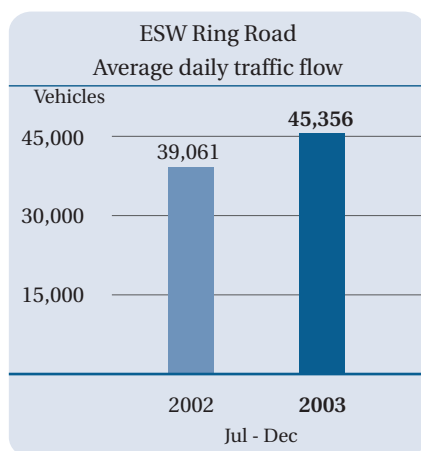
GS Superhighway is the principal route in the Pearl River Delta region’s expressway network in which HHI has an interest, linking the four major cities of Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, the average daily traffic flow reached 188,367 vehicles, an increase of 27% compared to the last corresponding period and average daily toll revenue grew by 22% to RMB6.88 million. Gross toll revenue increased by 22% to RMB1,266 million.

The increase in traffic and toll revenue growth largely benefited from the consistent rapid economic growth in the Guangdong Province. As GDP of the province has been increasing, so has the flow of passengers and goods in the region. Increasing profitability of corporations and wealth of consumers have contributed to the continuous growth of vehicle ownership. The Group believes that these factors will help GS Superhighway maintain stable growth in traffic and toll revenue.

Several initiatives were completed to improve traffic flow and capacity along GS Superhighway. The historically busy 2.7 km section between Hezhou and Huangtian interchanges of the GS Superhighway was widened from dual three-lane to dual four-lane. Further, additional toll lanes were added at historically busy toll stations, such as Huangtian, Nantou and Baoan. The joint venture company will continue to closely monitor traffic conditions on the GS Superhighway and carry out effective measures to maintain the smooth traffic flow. The toll collection system along the northbound section of the expressway has been upgraded from a magnetic card toll collection system to a contactless Integrated Circuit (IC) card system by the third quarter of 2003. The southbound upgrade will be completed in 2004.

Providing a safe, efficient and comfortable driving environment remains a top priority to the Group. The repaving of around 100 km of the main alignment of the GS Superhighway was completed by the joint venture company in December 2003.

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



ESW Ring Road is a 38 km closed system expressway with dual 3 lanes. It is a by-pass route running along the eastern, southern and western fringes of Guangzhou city and forms the main sections of the Guangzhou Ring Road. During the past six months, it continued to record steady growth, both in traffic and toll revenue. The average daily traffic grew by 16% to 45,356 vehicles and average daily toll revenue increased by 23% to RMB0.72 million. Gross toll revenue grew by 23% to RMB133 million.

Two major expressways, Phase I of the Western Delta Route and Guangzhou Southern Expressway, which are connected directly with the ESW Ring Road, are expected to be completed in 2004. The opening of these expressways are expected to feed additional traffic to the ESW Ring Road. The Group believes the ESW Ring Road is well positioned to benefit from the rapid economic development in Guangzhou.

Phase I of the Western Delta Route (“Phase I West”)

This 14.7 km closed system expressway with dual 3 lanes is currently under construction and is expected to be completed in May 2004, which is two months ahead of schedule.

Upon completion, Phase I West will be the only expressway to link up Guangzhou and Shunde. It fulfills the strategic need for a high speed link between these two major cities and shortens the travel time from approximately 40 minutes on existing local roads to approximately 10-15 minutes.

Other Infrastructure Projects

Shunde Roads and Shunde 105 Road

Shunde Roads are a system of four interconnecting dual three-lane highways which form the core road network around the Shunde District of Foshan Municipality; whereas, Shunde 105 is a separate major route through the district, providing vital access to neighboring municipalities.

The joint venture companies of the Shunde Roads and Shunde 105 have reached agreements with the Foshan Municipal Roads and Bridges Company (“Foshan Company”), a company 100%-owned by the Foshan Municipal Government, that Foshan Company be entrusted to collect tolls on their behalf since March 2003. Under the agreed arrangement, effective from 15th March, 2003, Foshan Company has been paying each of the joint venture companies every month the equivalent of its monthly average toll revenue of 2002 over the remainder of the cooperation period, plus an annual growth rate.

The Group is of the view that the arrangement is beneficial to the joint venture companies for not only securing reasonable income growth but also reducing operating expenses.

The Group is currently finalizing the disposal of its interests in Shunde Roads and Shunde 105 to an independent party. The disposal is subject to approval by the relevant authorities of the PRC Government and its terms are subject to confidentiality.

Construction

Construction works of the office tower project in Kwun Tong was completed during the review period.

Overseas Projects

Tanjung Jati B Power Plant Project (“TJB”)

The persistent effort of the Group over the past few years has finally resulted in a satisfactory resolution for TJB in Indonesia. During the period under review, the disposal of TJB was concluded and the aggregate cash consideration, payable in instalments, is approximately HK\$2,388 million. After the repayment of liabilities relating to the project, the Group is entitled to receive an aggregate net proceeds of approximately HK\$1,680 million. Up to date, the Group has received net proceeds of approximately HK\$758 million.

The proceeds from the disposal will further strengthen the financial position of the Group and enhance its capability to explore new investment opportunity.

Grand Hotel Excelsior, South Luzon Tollway Project

Continuing our strategy to close out the non-core investments, the Group entered into agreements for the sale of its interests in the Grand Hotel Excelsior project in Malta and the South Luzon Tollway project in the Philippines in October 2003. The aggregate cash consideration under the sale agreements and the full repayment of the loans owed to the Group were approximately HK\$80 million, to be received by instalments.

Bangkok Elevated Road and Train System (“BERTS”)

The Group continued its efforts during the period under review to seek an amicable resolution for the BERTS project.

Number of countries/areas covered by the Group

Following the completion of closing out the non-core investments overseas, the number of countries/areas covered by the Group has been reduced from eleven in 1999 to four at the end of 2003.



Financial Review

During the review period, the financial position of the Group was strengthened by substantial reduction of net debt from HK\$2,258 million to HK\$301 million. The ratio of total net debt to total capitalization was reduced from 12% to 2% and the ratio of total net debt to equity also decreased from 16% to 2%.

In August 2003, following completion of the disposal of TJB and the successful listing of HHI on The Stock Exchange of Hong Kong Limited, the Group received cash of over HK\$3.6 billion (approximately HK\$0.7 billion net proceeds from TJB as of 31st December, 2003 and approximately HK\$2.9 billion from the listing). In addition, the Group successfully obtained an unsecured syndicated bank loan of HK\$2.88 billion in October 2003 to refinance the loans which were secured by the Group's properties. This refinancing resulted in lower interest cost, longer repayment tenure, releasing the Group's properties from security, and increasing the flexibility of cash management.

The Group's capitalization structure is shown as follows:

	At 30.6.2003 HK\$ million	At 31.12.2003 HK\$ million
Equity <i>(Note)</i>	13,653	14,130
Total net debt	2,258	301
Total capitalization <i>(Note)</i>	18,079	17,245
Total net debt vs total capitalization	12%	2%
Total net debt vs equity	16%	2%

Note: Following the adoption of the SSAP No. 12 (Revised) "Income Taxes" retrospectively, the opening balance of the Group's retained profits at 1st July, 2003 has been decreased by HK\$46,083,000. The comparative figures of the Group's equity and total capitalization have been adjusted accordingly.

The maturity profile of the Group's borrowing as at 31st December, 2003 as compared with that at 30th June, 2003 is shown as follows:

Including Notes	Within 1 year	1 - 2 years	2 - 5 years
30th June, 2003	16%	48%	36%
31st December, 2003	58%	—	42%
Excluding Notes	Within 1 year	1 - 2 years	2 - 5 years
30th June, 2003	25%	21%	54%
31st December, 2003	21%	—	79%

The majority of the Group's borrowings, apart from the US\$200 million Notes due 2004, carry interest at floating rates and are denominated in Hong Kong Dollars. The net debt of the Group excludes the US\$200 million Notes due 2004 which have been fully backed by cash deposit held by the paying agent on behalf of the bondholders.

With stable cash income from operations and scheduled cash contributions from TJB, the Group's financial resources are strongly adequate to fund its operations and any potential investments.

There have been no significant changes in the Group's policy in terms of interest rate and exchange rate exposures. The Group has no financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures as the HK Dollar is pegged to the US Dollar and the exchange rate between Renminbi and HK Dollar is relatively stable.

Prospects

With the Closer Economic Participation Arrangement coming into effect from 1st January, 2004, it will definitely accelerate the further integration of Hong Kong and Guangzhou, and open up strong business opportunities in the region. The Group expects continued economic growth in China (in particular the Pearl River Delta region) will continue to have positive impact on the economy in Hong Kong as well as the Group's businesses, particularly the continuous growth in traffic in the infrastructure division, sustainable demands for the Group's hotel and food and beverage business.

The Group is proceeding with its developments at Phase II of Nova Taipa Gardens in Macau, the initial development of the Huadu District development and the Mega Tower Project development in Wanchai.

HHI will complete its Phase 1 of Western Delta Route to be followed by Phases 2 and 3. HHI is also aiming to play a vital role in the Hong Kong-Zhuhai-Macau Bridge should it proceed.

Changes of Directors

During the period under review, Mr. Andy Lee Ming CHEUNG was appointed as an Executive Director on 16th July, 2003. Mr. Alan Chi Hung CHAN resigned as an Executive Director on 25th July, 2003. Mr. Eddie Wing Chuen HO Junior was appointed as an Executive Director on 6th August, 2003. Mr. Lawrence Sai Kit MIAO retired as a Director of the Company at the Annual General Meeting held on 21st October, 2003.

The Board would like to express its appreciation to Messrs. Alan CHAN and Lawrence MIAO for their past valuable contribution and to welcome Messrs. Andy CHEUNG and Eddie HO Junior to the Board.



Disclosure of Additional Information in accordance with the Listing Rules

Disposals in Subsidiaries

HHI was separately listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6th August, 2003. During the period under review, a deemed profit of HK\$484 million resulting from the spin-off of 25% of the shares in HHI was recorded by the Group. The initial public offering in Hong Kong and the international placing raised approximately HK\$3,010 million (before expenses) for HHI.

Employees

There were approximately 1,099 employees in the Company and its subsidiaries as at 31st December, 2003. The Company continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Various benefits including medical and personal accident insurance coverage are also provided to employees. Different types of training programs are conducted on an ongoing basis throughout the Company and its subsidiaries. Share options may be granted at the discretion of the Board of Directors to employees as appropriate.

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 reporting 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.

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 associates (the “Affiliated Companies”) were classified and disclosed under “Interests in jointly controlled entities” and “Interests in associates” in the condensed consolidated balance sheet as at 31st December, 2003.

A proforma combined balance sheet of the Affiliated Companies as at 31st December, 2003, is presented below:

	Combined Total HK\$ million	Funds injected by the Group HK\$ million
Total assets	20,497*	
Financed by:		
- Registered capital/share capital	1,884	1,132
- Reserve	258	
- Retained profits	188	
Equity	2,330	
Long term liabilities		
- Advances from shareholders/joint venture partners/related companies	7,246	2,066
- Other long-term loans	10,003	
	17,249	
Current liabilities	918	72
Total equity and liabilities	20,497*	3,270

* With the exception of the investment in a property development joint venture which is 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.

Directors' Interests

As at 31st December, 2003, the interests and short positions of the directors and chief executives of the Company and their associates 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")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which required notification pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Beneficial interests and short positions in shares (the “Shares”) and underlying shares of equity derivatives of the Company⁽ⁱ⁾

Directors	Shares				Equity derivatives ^(iv)	Total interests	Total interests as percentage of shares in issue
	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	63,494,032	21,910,000 ^(v)	111,250,000 ^(vi)	30,680,000	8,000,000	235,334,032	26.82
Eddie Ping Chang HO	19,360,000	246,000	2,050,000	—	6,000,000	27,656,000	3.15
Thomas Jefferson WU	24,450,000	—	820,000	—	2,400,000	27,670,000	3.15
Josiah Chin Lai KWOK	1,500,000	—	—	—	1,500,000	3,000,000	0.34
Henry Hin Moh LEE	7,695,322	—	—	—	—	7,695,322	0.88
Robert Van Jin NIEN	100,000	—	—	—	1,000,000	1,100,000	0.13
Guy Man Guy WU	2,645,650	—	—	—	—	2,645,650	0.30
Ivy Sau Ping KWOK WU	21,910,000	113,554,032 ^(vii)	61,190,000	30,680,000	8,000,000 ^(viii)	235,334,032	26.82
Linda Lai Chuen LOKE	—	1,308,981	—	—	—	1,308,981	0.15
David Yau-gay LUI	8,537	—	—	—	—	8,537	0.00

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) These Shares 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 of 30,680,000 Shares represented the interests held by Sir Gordon Ying Sheung WU jointly with Lady Ivy Sau Ping KWOK WU.
- (iv) These represented interests of options granted to directors under the Old Share Option Scheme to subscribe for Shares of the Company, further details of which are set out in the section headed “Share Options”.
- (v) The family interests of 21,910,000 Shares represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.
- (vi) The corporate interests of 111,250,000 Shares represented the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure included 61,190,000 Shares held by Lady Ivy Sau Ping KWOK WU through corporations.
- (vii) The family interests of 113,554,032 Shares represented the interests of Sir Gordon Ying Sheung WU, the husband of Lady Ivy Sau Ping KWOK WU. This figure included 50,060,000 Shares held by Sir Gordon Ying Sheung WU through corporations.
- (viii) These represented interests of options granted to Sir Gordon Ying Sheung WU, the husband of Lady Ivy Sau Ping KWOK WU.

(b) Beneficial interests and short positions in the shares of associated corporations

- (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 600,000 ordinary shares of HCNH Insurance Brokers Limited, an associated company of the Company, representing one-half of its issued share capital.
- (ii) Certain directors held shares in certain subsidiaries as nominees for their holding companies.
- (iii) None of the directors or chief executives held any short position in shares of associated corporations.

(c) Beneficial interests and short positions in the underlying shares of equity derivatives of associated corporations⁽ⁱ⁾

All of the following interests in underlying shares of equity derivatives of associated corporations were interests in warrants of an associated corporation, HHI, which conferred rights to subscribe for shares of HHI at HK\$4.18 per share (subject to adjustments) exercisable during a period of 3 years from 6th August, 2003 to 5th August, 2006:

Directors	Equity derivatives				Total interests	Total interests as percentage of shares in issue
	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	6,249,403	2,191,000 ^(iv)	11,124,999 ^(v)	3,068,000	22,633,402	0.79
Eddie Ping Chang HO	1,936,000	24,600	205,000	—	2,165,600	0.08
Thomas Jefferson WU	2,435,000	—	82,000	—	2,517,000	0.09
Henry Hin Moh LEE	279,530	—	—	—	279,530	0.01
Robert Van Jin NIEN	10,000	—	—	—	10,000	0.00
Guy Man Guy WU	264,565	—	—	—	264,565	0.01
Ivy Sau Ping KWOK WU	2,191,000	11,255,403 ^(vi)	6,118,999	3,068,000	22,633,402	0.79
Linda Lai Chuen LOKE	—	130,898	—	—	130,898	0.01
David Yau-gay LUI	853	—	—	—	853	0.00

Notes:

- (i) All of the above interests in the underlying shares of equity derivatives of associated corporations were long positions.
- (ii) These equity derivatives 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 of 3,068,000 warrants represented the interests held by Sir Gordon Ying Sheung WU jointly with Lady Ivy Sau Ping KWOK WU.

- (iv) The family interests of 2,191,000 warrants represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.
- (v) The corporate interests of 11,124,999 warrants represented the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure included 6,119,000 warrants held by Lady Ivy Sau Ping KWOK WU through corporations.
- (vi) The family interests of 11,255,403 warrants represented the interests of Sir Gordon Ying Sheung WU, the husband of Lady Ivy Sau Ping KWOK WU. This figure included 5,006,000 warrants held by Sir Gordon Ying Sheung WU through corporations.

(d) Beneficial interests in debentures of associated corporations

The 9⁷/₈ % Notes due 2004 for a face amount of US\$4,850,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by companies in which Mr. Thomas Jefferson WU was entitled to the exercise of one-third or more of the voting power at their general meetings.

Share Options

The share option scheme of the Company adopted on 11th October, 1994 (the “Old Share Option Scheme”) was terminated and a new share option scheme (the “New Share Option Scheme”) was adopted by the Company with effect from 1st November, 2003 to comply with the current Listing Rules. No further options may be granted under the Old Share Option Scheme but in all other respects the provisions of the Old Share Option Scheme shall remain in force. However, all options granted prior to the termination of the Old Share Option Scheme shall continue to be subject to the provisions of the Old Share Option Scheme.

Particulars of the options held by the executive directors of the Company and employees granted under the Old Share Option Scheme are as follows:

	Date of grant	Exercise Price HK\$	Balance of outstanding options at 1/7/2003	Options granted during the period	Options exercised during the period	Options cancelled/ lapsed during the period	Balance of outstanding options at 31/12/2003	Exercise period	Closing price immediately before date of grant falling within the period HK\$
<i>Directors</i>									
Gordon Ying Sheung WU	9/9/2003	9.55	—	8,000,000	—	—	8,000,000	9/3/2004 - 9/9/2008	9.40
Eddie Ping Chang HO	9/9/2003	9.55	—	6,000,000	—	—	6,000,000	9/3/2004 - 9/9/2008	9.40
Thomas Jefferson WU	3/4/2002	6.15	2,500,000	—	100,000	—	2,400,000	3/10/2002 - 2/10/2005	—
Josiah Chin Lai KWOK	28/3/2002	6.15	3,000,000	—	1,500,000	—	1,500,000	28/9/2002 - 27/9/2005	—
Robert Van Jin NIEN	1/4/2002	6.15	1,000,000	—	—	—	1,000,000	1/10/2002 - 30/9/2005	—
Employees	2/4/2002	6.15	1,800,000	—	—	—	1,800,000	2/10/2002 - 1/10/2005	—
Total			8,300,000	14,000,000	1,600,000	—	20,700,000		

Subsequent to the resignation of Mr. Alan Chi Hung CHAN as director of the Company on 25th July, 2003, the options granted to Mr. Alan CHAN was reclassified under options granted to employees.

The weighted average closing price of the shares of the dates immediately before the dates on which the options were exercised within the period was HK\$10.35.

The options granted on 9th September, 2003 are exercisable during a period of 4.5 years after the expiry of 6 months from the date of grant.

The options granted, other than those granted on 9th September, 2003, are exercisable in the following manner:

Maximum proportion of options exercisable including the proportion of options previously exercised	Exercisable period
1/3	From the expiry of 6 months from the date of grant of option up to 18 months from the date of grant
2/3	From the expiry of 18 months from the date of grant of option up to 30 months from the date of grant
3/3	From the expiry of 30 months from the date of grant of option up to 42 months from the date of grant

During the period under review, no option was granted by the Company under the New Share Option Scheme.

The fair value of the share options granted during the period with the exercise price per share of HK\$9.55 using the Black-Scholes option pricing model, is estimated at HK\$4. The value is estimated based on the risk-free rate of 3.157% per annum with reference to the yield prevailing on the 5-year Exchange Fund Notes, an estimated historical volatility of 33.6% of the closing price of the shares of the Company from 1st January, 2003 to 31st December, 2003, and assuming an expected option life of 4.7 years and same level of annual dividends as last financial year of HK25 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.

By written resolutions of the sole shareholder of HHI, a subsidiary of the Company, passed on 16th July, 2003, a share option scheme was approved and the scheme was approved at an extraordinary general meeting of the Company held on the same date. As at 31st December, 2003, no option was granted under the share option scheme of HHI.

Substantial Shareholders

As at 31st December, 2003, to the best knowledge of the directors, the following party (other than the directors or chief executives of the Company) was, directly or indirectly, interested in 5% or more of the nominal value of share capital of the Company and the relevant number of shares in which it was, and/or was deemed to be, interested as recorded in the register under Section 336 of the SFO:

Name	Capacity	Number of Shares (Corporate interests)	Interest as percentage of Shares in issue
The Capital Group Companies, Inc.	Investment Manager	43,898,000	5.00

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the issued share capital of the Company and recorded in the register of Substantial Shareholders maintained under Section 336 of the SFO as at 31st December, 2003.

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
Sir Gordon Ying Sheung WU KCMG, FICE
Chairman

Hong Kong, 26th February, 2004



Condensed Consolidated Income Statement

For the six months ended 31st December, 2003

	NOTES	Six months ended	
		31.12.2002 (unaudited and restated) HK\$'000	31.12.2003 (unaudited) HK\$'000
Turnover	3	446,550	339,729
Cost of sales and services		(288,182)	(178,959)
		158,368	160,770
Other operating income	4	71,714	69,602
Selling and distribution costs		(13,426)	(11,200)
Administrative expenses		(69,895)	(87,348)
Other operating expenses	5	(29,916)	(66,465)
Loss on disposal of property under development	6	—	(12,543)
Provision for impairment losses	7	—	(36,413)
Profit from operations		116,845	16,403
Gain on deemed disposal of interest in subsidiaries	8	—	483,847
Loss on cancellation of share purchase option	8	—	(70,000)
Finance costs	9	(232,866)	(125,959)
Share of results of Jointly controlled entities		321,127	439,624
Associates		12,717	3,308
Profit before taxation		217,823	747,223
Income tax expense	11	(36,200)	(34,867)
Profit before minority interests		181,623	712,356
Minority interests		(6,066)	(86,822)
Net profit for the period		175,557	625,534
Dividends	12	61,319	351,303
		HK cents	HK cents
Earnings per share	13		
Basic		20.0	71.3
Diluted		N/A	71.0



Condensed Consolidated Balance Sheet

At 31st December, 2003

		30.6.2003 (audited and restated)	31.12.2003 (unaudited)
	NOTES	HK\$'000	HK\$'000
ASSETS			
Non-current Assets			
Investment properties		5,655,400	5,660,452
Property, plant and equipment	21(b)	1,492,652	540,751
Properties for or under development		1,018,336	860,428
Interests in jointly controlled entities		8,207,290	8,143,477
Interests in associates		77,523	64,542
Investments in securities	14	39,329	574,228
Other projects		181,637	163,637
Long-term receivables		276,052	132,587
Defeasance/pledged bank deposits		1,680,843	98,275
		18,629,062	16,238,377
Current Assets			
Inventories		8,588	9,430
Properties for sale		3,762	3,762
Trade and other receivables	15	111,876	287,881
Deposits and prepayments	21(b)	227,127	72,203
Loans receivable - current portion		45,757	77,162
Amounts due from customers			
for contract work		323	—
Investments in securities - current portion	14	—	1,164,217
Defeasance deposits		149,390	1,654,742
Bank balances and cash		694,604	1,347,416
		1,241,427	4,616,813
Total Assets		19,870,489	20,855,190

Condensed Consolidated Balance Sheet (continued)

At 31st December, 2003

		30.6.2003 (audited and restated) HK\$'000	31.12.2003 (unaudited) HK\$'000
	NOTES		
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	16	2,189,955	2,193,955
Share premium and reserves		11,463,202	11,936,024
		13,653,157	14,129,979
Minority Interests			
		125,101	2,338,332
Non-current Liabilities			
Long-term borrowings	17	3,692,975	1,300,000
Warranty provisions		164,059	164,059
Amounts due to associates		17,786	18,561
Deferred tax liabilities		46,083	50,065
		3,920,903	1,532,685
Current Liabilities			
Trade and other payables	18	1,075,960	720,295
Rental and other deposits		111,560	68,097
Amounts due to customers for contract work		14,423	15,927
Tax liabilities		242,906	237,831
Current portion of long-term borrowings	17	320,479	1,601,956
Bank loans and overdrafts			
Secured		156,000	—
Unsecured		250,000	210,088
		2,171,328	2,854,194
Total Liabilities		6,092,231	4,386,879
Total Equity and Liabilities		19,870,489	20,855,190



Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st December, 2003

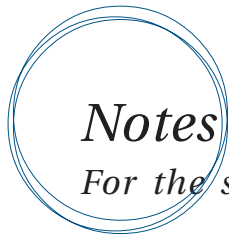
	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	PRC statutory reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st July, 2002									
- as originally stated	2,189,955	8,508,890	2,254,315	83,010	(504)	22,884	324,113	411,557	13,794,220
- prior period adjustments (note 2)	—	—	—	—	—	—	—	(39,736)	(39,736)
- as restated	2,189,955	8,508,890	2,254,315	83,010	(504)	22,884	324,113	371,821	13,754,484
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	—	—	—	—	1,076	—	—	—	1,076
Net gain not recognised in the income statement	—	—	—	—	1,076	—	—	—	1,076
Net profit for the period	—	—	—	—	—	—	—	175,557	175,557
Transfers between reserves	—	—	—	—	—	33,580	—	(33,580)	—
Amounts set aside for payment of dividends	—	—	—	—	—	—	61,319	(61,319)	—
Final and special dividends for year ended 30th June, 2002 paid	—	—	—	—	—	—	(324,113)	—	(324,113)
At 31st December, 2002	2,189,955	8,508,890	2,254,315	83,010	572	56,464	61,319	452,479	13,607,004
At 1st July, 2003									
- as originally stated	2,189,955	8,508,890	1,916,968	83,010	9,432	56,464	157,677	776,844	13,699,240
- prior period adjustments (note 2)	—	—	—	—	—	—	—	(46,083)	(46,083)
- as restated	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)
Net profit for the period	—	—	—	—	—	—	—	625,534	625,534
Realised on reduction of interest in subsidiaries	—	—	—	—	—	(14,116)	—	14,116	—
Transfers between reserves	—	—	—	—	—	16,465	—	(16,465)	—
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



Condensed Consolidated Cash Flow Statement

For the six months ended 31st December, 2003

	Six months ended	
	31.12.2002 (unaudited) HK\$'000	31.12.2003 (unaudited) HK\$'000
Net cash from operating activities	5,100	39,792
Net cash from (used in) investing activities	3,262,393	(733,355)
Net cash (used in) from financing activities	(3,234,911)	1,346,000
Increase in cash and cash equivalents	32,582	652,437
Cash and cash equivalents at beginning of the period	145,149	694,604
Effect of foreign exchange rate changes	1,410	375
Cash and cash equivalents at end of the period	179,141	1,347,416
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	179,141	1,347,416



Notes to the Condensed Financial Statements

For the six months ended 31st December, 2003

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 and with Statement of Standard Accounting Practice (“SSAP”) No. 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 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, 2003, except as described below.

In the current period, the Group has adopted SSAP No. 12 (Revised) “Income Taxes” for the first time. The principal effect of the implementation of SSAP No. 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP No. 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP No. 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for the corresponding prior period have been restated accordingly. As a result of this change in accounting policy, the opening balance of the Group’s retained profits at 1st July, 2002 and 1st July, 2003 have been decreased by HK\$39,736,000 and HK\$46,083,000 respectively. The Group’s profit for the six months ended 31st December, 2003 has been decreased by HK\$3,982,000 (six months ended 31.12.2002: HK\$2,904,000).

3. TURNOVER AND SEGMENTS

Business Segments

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

Infrastructure project investment	—	investment in highway infrastructure projects
Property investment	—	property letting, agency and management
Hotel investment	—	hotel ownership and operations
Property development	—	development of properties
Construction	—	construction and project management
Restaurants and catering	—	restaurant operations and food catering

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2003

3. TURNOVER AND SEGMENTS (Continued)

Segment information about these businesses is presented below.

Segment turnover

	Six months ended 31.12.2002			Six months ended 31.12.2003		
	External HK\$'000	Inter- segment HK\$'000	Turnover HK\$'000	External HK\$'000	Inter- segment HK\$'000	Turnover HK\$'000
Infrastructure project investment	36,434	—	36,434	28,409	—	28,409
Property investment	167,117	10,696	177,813	149,789	10,836	160,625
Hotel investment	70,098	166	70,264	74,183	96	74,279
Construction	112,065	4,016	116,081	25,965	1,500	27,465
Restaurants and catering	60,836	509	61,345	61,383	299	61,682
Eliminations	—	(15,387)	(15,387)	—	(12,731)	(12,731)
Total turnover	446,550	—	446,550	339,729	—	339,729

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

Segment results

	Profit (loss) for the six months ended 31.12.2002				Profit (loss) for the six months ended 31.12.2003			
	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 investment	(1,220)	305,338	—	304,118	(29,567)	434,588	—	405,021
Property investment	102,931	6,915	2,290	112,136	87,027	(318)	1,640	88,349
Hotel investment								
- Operations	13,725	—	7,628	21,353	18,351	—	1,822	20,173
- Loss on disposal of hotel property under development	—	—	—	—	(12,543)	—	—	(12,543)
Property development	—	8,874	—	8,874	(26,803)	5,354	—	(21,449)
Construction	(34,142)	—	(6)	(34,148)	(1,924)	—	—	(1,924)
Restaurants and catering	2,109	—	—	2,109	504	—	—	504
Other operations	(4,508)	—	2,805	(1,703)	(7,751)	—	(154)	(7,905)
Segment results	78,895	321,127	12,717	412,739	27,294	439,624	3,308	470,226

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
Segment results		
Company and subsidiaries	78,895	27,294
Interest and other financial income	66,464	49,280
Exchange losses	—	(15,447)
Unallocated corporate expenses	(28,514)	(44,724)
Profit from operations	116,845	16,403
Gain on deemed disposal of interest in subsidiaries	—	483,847
Loss on cancellation of share purchase option	—	(70,000)
Finance costs	(232,866)	(125,959)
Share of results of		
Jointly controlled entities	321,127	439,624
Associates	12,717	3,308
Profit before taxation	217,823	747,223

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2003

3. TURNOVER AND SEGMENTS (Continued)

Geographical Segments

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

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
Hong Kong	409,207	309,066
Mainland China (the "PRC")	37,343	30,663
	446,550	339,729

4. OTHER OPERATING INCOME

Other operating income includes:

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
Interest on bank deposits and loans receivable	66,464	40,665
Yield on held-to-maturity debt securities (after deducting amortisation of premium on acquisition of HK\$17,843,000 (six months ended 31.12.2002: Nil))	—	8,615

5. OTHER OPERATING EXPENSES

Other operating expenses include:

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
Amortisation of cost of investments in jointly controlled entities	28,857	42,535
Exchange losses	—	15,447

6. LOSS ON DISPOSAL OF PROPERTY UNDER DEVELOPMENT

As detailed in note 22, the Group entered into agreements for the disposal of its interest in a hotel property under development carried by a subsidiary for an aggregate consideration of approximately HK\$217 million. The consideration to the extent of HK\$150 million has been recognised in the current period, giving rise to a loss on disposal of HK\$12.5 million. The remaining balance of the consideration of HK\$67 million is payable by instalments over a period up to 72 months from 16th October, 2003 or 48 months from the date of completion of the hotel development, whichever is the earlier. The outstanding consideration will be recognised when receipt can be established with reasonable certainty.

Notes to the Condensed Financial Statements (continued)
For the six months ended 31st December, 2003

7. PROVISION FOR IMPAIRMENT LOSSES

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
Impairment losses recognised on		
— Properties in the PRC held for development	—	25,000
— Interest in an associate	—	11,413
	—	36,413

8. GAIN ON DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES/LOSS ON CANCELLATION OF SHARE PURCHASE OPTION

During the period, in connection with the listing of the shares in Hopewell Highway Infrastructure Limited (“HHI”), a subsidiary undertaking investments in highway projects in the PRC, HHI issued a total of 720,000,000 shares to public investors at an issue price of HK\$4.18 per share, giving a total consideration of HK\$3,009.6 million before expenses. The issue of new shares has resulted in a reduction of the Company’s interest in HHI from 100% to 75%, and has given rise to a gain on deemed disposal of HK\$483.8 million.

During the period, the Group reached an agreement with the holder of the option to subscribe for 5% of the interest in HHI previously granted by the Company to a lender in connection with the Group’s financing arrangement. Pursuant to the said agreement, the option holder has agreed to cancel the rights under the option for a consideration of HK\$70 million payable by the Group which has been charged to the income statement.

9. FINANCE COSTS

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
Interest on		
Bank loans and overdrafts and other loans	67,413	33,330
Notes wholly payable within five years	111,900	72,582
	179,313	105,912
Less: Amount capitalised on an infrastructure project	(3,000)	—
	176,313	105,912
Other finance costs		
Premium on early redemption of notes	36,217	—
Note issue expenses amortised	16,455	3,127
Loan arrangement fees and related charges	3,881	16,920
	56,553	20,047
	232,866	125,959

Notes to the Condensed Financial Statements (continued)
For the six months ended 31st December, 2003

10. DEPRECIATION

Depreciation of property, plant and equipment charged to the income statement in respect of the period amounted to HK\$5,908,000 (six months ended 31.12.2002: HK\$4,068,000).

11. INCOME TAX EXPENSE

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
Current tax		
Hong Kong	6,815	8,771
Elsewhere	688	2,558
	7,503	11,329
Under (over) provision in prior years		
Hong Kong	465	(5,754)
Elsewhere	—	198
	465	(5,556)
Deferred tax	2,904	3,982
Taxation attributable to the Company and subsidiaries	10,872	9,755
Share of taxation of jointly controlled entities		
Elsewhere	6,517	—
Deferred tax	15,000	23,786
	21,517	23,786
Share of taxation of associates		
Hong Kong	345	243
Elsewhere	3,466	1,083
	3,811	1,326
	36,200	34,867

Hong Kong Profits Tax is calculated at the rate of 17.5% (six months ended 31.12.2002: 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.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2003

12. DIVIDENDS

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
Interim dividend declared		
HK10 cents (six months ended 31.12.2002: HK7 cents) per share	61,319	87,758
Special interim dividend declared		
HK30 cents (six months ended 31.12.2002: Nil) per share	—	263,275
Final dividend for the year ended 30th June, 2003 paid on shares issued subsequent to approval of financial statements	—	270
	61,319	351,303

A final dividend of HK18 cents (year ended 30.6.2002: final dividend of HK7 cents and special dividend of HK30 cents) per share for the financial year ended 30th June, 2003 was paid to shareholders in October 2003.

The directors have determined that an interim dividend and a special interim dividend in respect of the financial year ending 30th June, 2004 of HK10 cents (year ended 30.6.2003: HK7 cents) per share and HK30 cents (year ended 30.6.2003: Nil) per share respectively shall be paid to the shareholders of the Company whose names appear on the Register of Members on 18th March, 2004.

13. EARNINGS PER SHARE

	Six months ended	
	31.12.2002 HK\$'000	31.12.2003 HK\$'000
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	175,557	625,534
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)
Earnings for the purposes of diluted earnings per share	175,557	625,050
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	875,982,121	876,827,230
Effect of dilutive potential ordinary shares:		
Share options	—	4,108,338
Weighted average number of ordinary shares for the purposes of diluted earnings per share	875,982,121	880,935,568

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2003

13. EARNINGS PER SHARE (Continued)

As a result of the change in accounting policies as described in note 2 above, the basic earnings per share for the corresponding comparative prior period has been adjusted as follows:

	HK cents
Basic earnings per share for the six months ended 31st December, 2002:	
Reported figure before adjustments	20.4
Adjustments arising from adoption of SSAP No. 12 (Revised)	(0.4)
Restated	20.0

14. INVESTMENTS IN SECURITIES

	30.6.2003 HK\$'000	31.12.2003 HK\$'000
Held-to-maturity debt securities listed overseas (Note)	—	1,717,900
Investment securities		
Unlisted equity securities	21,274	20,545
Other investments		
Equity securities listed in Hong Kong	18,055	—
	39,329	1,738,445
Less: Held-to-maturity debt securities maturing within one year included in current assets	—	(1,164,217)
	39,329	574,228

Note: The held-to-maturity debt securities, which the Group has expressed intention and ability to hold to maturity, are measured at amortised cost, less any impairment to reflect irrecoverable amounts. The annual amortisation of the premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue in each period represents a constant yield on the investment.

15. 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:

	30.6.2003 HK\$'000	31.12.2003 HK\$'000
Receivables aged		
0 - 30 days	30,778	40,594
31 - 60 days	3,245	4,922
Over 60 days	4,995	23,182
Proceeds on disposal of a jointly controlled entity receivable	45,373	84,923
Retentions receivable	21,247	19,937
Interest on defeasance deposits receivable	6,238	114,323
	111,876	287,881

Notes to the Condensed Financial Statements (continued)
For the six months ended 31st December, 2003

16. SHARE CAPITAL

	Number of shares		Nominal value	
	30.6.2003 '000	31.12.2003 '000	30.6.2003 HK\$'000	31.12.2003 HK\$'000
Ordinary shares of HK\$2.50 each Authorised	1,200,000	1,200,000	3,000,000	3,000,000
Issued and fully paid	875,982	877,582	2,189,955	2,193,955

During the six months ended 31st December, 2003, the Company issued a total of 1,600,000 ordinary shares of HK\$2.50 each for a total cash consideration of HK\$9,840,000 pursuant to the exercise of the share options granted by the Company.

HHI Warrants

In connection with the listing of the shares in HHI during the period, HHI issued a total of 87,533,636 warrants to the Company's shareholders on the basis of one warrant for every 10 shares in the Company then held. The warrants, which carry an aggregate subscription rights of HK\$365,890,598, entitle the holders thereof to subscribe for shares in HHI at a subscription price of HK\$4.18 per share subject to adjustment during the three years period commencing on 6th August, 2003. Cash amounted to HK\$48,000 was paid to certain overseas shareholders of the Company in lieu of HHI warrants.

During the period, 59,162 warrants carrying an aggregate subscription price of HK\$247,297 were exercised by the warrant holders resulting in the issuance of 59,162 ordinary shares in HHI. A total of 87,474,474 HHI warrants remained outstanding at the balance sheet date.

17. LONG-TERM BORROWINGS

	30.6.2003 HK\$'000	31.12.2003 HK\$'000
Unsecured notes payable		
Principal amount	1,473,822	1,467,207
Unamortised note issue expenses	(6,555)	(3,428)
Secured bank loans	2,357,629	—
Unsecured bank loans	141,078	1,438,177
Other unsecured loan	47,480	—
	4,013,454	2,901,956
Less: Portion due within one year included in current liabilities	(320,479)	(1,601,956)
	3,692,975	1,300,000

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2003

18. TRADE AND OTHER PAYABLES

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

	30.6.2003 HK\$'000	31.12.2003 HK\$'000
Payables due		
0 - 30 days	197,754	127,188
31 - 60 days	55,896	61,082
Over 60 days	114,036	125,776
Retentions payable	25,055	22,834
Development expenditure payable (<i>Note</i>)	683,219	383,415
	1,075,960	720,295

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. Following the completion of the disposal of the Group's interest in the Tanjung Jati B Power Station project in Indonesia during the period, development expenditure incurred for this project totalling HK\$300 million was settled.

19. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS OR LIABILITIES

The Group's total assets less current liabilities at 31st December, 2003 amounted to HK\$18,001 million (30.6.2003: HK\$17,699 million).

The net current assets of the Group at 31st December, 2003 amounted to HK\$1,763 million (30.6.2003: net current liabilities of HK\$930 million).

20. CHARGES ON ASSETS

- (a) During the period, the Group's secured bank loans were discharged or refinanced by unsecured bank borrowings. At 31st December, 2003, the Group's properties with an aggregate carrying value of HK\$125 million (30.6.2003: HK\$6,366 million) were mortgaged to secure other bank loan facilities granted to the Group.
- (b) At 30th June, 2003, the Group's interest in a jointly controlled entity engaging in the development of an infrastructure project with a carrying value of HK\$1,915 million had been pledged to the lenders to secure the bank loan facilities granted to the Group, of which HK\$372 million was utilised to finance the development of such project. During the period, the bank loan was fully settled and the pledge of the Group's interest in the jointly controlled entity was discharged.

Notes to the Condensed Financial Statements *(continued)*

For the six months ended 31st December, 2003

21. PROJECT COMMITMENTS

(a) Western Delta Route in the PRC

Phase I of the Western Delta Route (“Phase I West”), a major transportation route in Western Pearl River Delta, will be developed by a jointly controlled entity to be established. The estimated total development cost for Phase I West amounted to RMB1,680 million, of which RMB294 million (30.6.2003: RMB294 million) will be provided by the Group by way of capital contribution to the jointly controlled entity.

(b) Power Station Project in the Republic of Indonesia

Included in property, plant and equipment of the Group at 30th June, 2003 was Tanjung Jati B Power Station Project (“TJB Project”) with a carrying value of HK\$966 million. During the period, the Group completed the disposal of the TJB Project for an aggregate cash consideration of US\$306.2 million. The consideration is payable by instalments and the first instalment of US\$144.5 million was received and recognised by the Group with the remaining balance of US\$161.7 million payable by instalments over a period of 39 months from 31st July, 2003, being the settlement date as defined in the disposal agreements. However, the timing and ultimate receipt of the remaining instalments could be materially affected by the occurrence of certain events, including, inter alia, force majeure events, which would result in the cancellation by the lenders of the project loan facilities granted to the purchasers of the TJB Project. The remaining instalments will therefore not be recognised by the Group until such instalments are received.

On completion of the disposal of the TJB Project, advance payments to contractors totalling HK\$150 million included in deposits and prepayments, and development expenditures totalling HK\$300 million included in trade and other payables were settled and the Group has no further commitment in respect of development expenditure in this project.

(c) Other projects

(i) At 30th June, 2003, a subsidiary had agreed to provide funds to the extent of HK\$800 million to a jointly controlled entity established for the development of its property development project. The Group had no such commitment at the balance sheet date as the said subsidiary was dissolved during the period. At the balance sheet date, the Group’s share of the commitment of the jointly controlled entity in respect of property development expenditure, which was contracted but not provided for in the financial statements, amounted to HK\$13 million (30.6.2003: HK\$20 million).

(ii) At the balance sheet date, the Group had outstanding commitments in respect of property development expenditure as follows:

	30.6.2003 HK\$’000	31.12.2003 HK\$’000
Authorised but not contracted for	99,525	—
Contracted but not provided for	30,228	32,646
	129,753	32,646

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2003

22. RELATED PARTY TRANSACTIONS

During the period, the Group entered into agreements with a former director of the Company for the disposal of its interests in a hotel project in Malta under development, which was undertaken by subsidiaries, and the interest in an associate undertaking a toll road project in the Philippines at the consideration of approximately HK\$217 million, comprising cash consideration and net liabilities of the subsidiaries assumed by the purchaser, and HK\$9 million respectively. The consideration for disposal of the hotel interest to the extent of HK\$67 million is still outstanding which is payable by instalments over a period up to 72 months from 16th October, 2003 or 48 months from the date of completion of the hotel development, whichever is the earlier. Completion of the disposal of the associate is subject to the occurrence of certain events as specified in the disposal agreement. In addition, the Group and the former director have agreed to the full and final settlement of the legal proceedings taken against each other with no payment obligations on the part of the Group.

23. CONTINGENT LIABILITIES

Save as herein disclosed, there have been no material changes in contingent liabilities of the Group since 30th June, 2003.

24. POST BALANCE SHEET EVENT

The Group is currently in the process of finalising the disposal of its interests in certain jointly controlled entities, namely Shunde Municipal Shunhope Highway Construction Company Limited and Shunde Municipality Shunda Highway Company Limited, which will be subject to PRC government approval.



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