



BUILDING A VISION

HOPEWELL HOLDINGS LIMITED 合和實業有限公司

2000/2001 INTERIM REPORT



FINANCIAL HIGHLIGHT

- Turnover was HK\$960.5 million, up 31%
- Profit attributable to shareholders was HK\$159.9 million, up 129%
- Basic earnings per share were HK18.3 cents, up 129%
- Toll revenue of Guangzhou-Shenzhen Superhighway grew by 15%
- Group's Guangzhou-Shenzhen Superhighway syndicated bank loan of US\$296 million was repaid in January 2001

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GROUP RESULTS

The unaudited group profit attributable to shareholders for the six months ended 31st December, 2000 amounted to HK\$159.9 million, an increase of HK\$90.2 million or 129% as compared with HK\$69.7 million for the corresponding period of last financial year.

Group turnover for the period was HK\$960.5 million, an increase of 30.6%.

Group operating profit before finance costs increased by 21.3% to HK\$374.6 million from HK\$308.7 million of last corresponding period.

INTERIM DIVIDEND AND CLOSE OF REGISTER

The Board of Directors has resolved to pay an interim dividend of HK5 cents (1999 - HK5 cents) per share. The dividend will be paid on or about 10th May, 2001 to those shareholders registered as at the close of business on 12th April, 2001. The register of members of the Company will be closed from 9th April, 2001 to 12th April, 2001, 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 Shop 1712-16, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 6th April, 2001.

BUSINESS REVIEW

Infrastructure

The Group continued to record remarkable results in its China investment in the past six months. Daily average traffic flow of all the highways, in which the Group has invested, amounted to 339,000 vehicles in total from July to December 2000, a growth of 17.4% over the last corresponding period.

Guangzhou-Shenzhen Superhighway, the backbone of the transport routes of the populous Pearl River Delta region, benefited from the strong economic growth in the region. Daily average traffic flow reached 107,000 vehicles during the review period, representing an increase of 17.3% over that of last year; toll revenue also increased by 15.3%.

Shunde Roads and Shunde 105 Road form a vital highway network serving the western side of the Pearl River Delta and linking up the Shunde Municipality with the neighboring populous areas. Daily average traffic flow of Shunde Roads, despite a decrease last year, grew by 7% to 102,000 vehicles, whereas Shunde 105 Road continued to record a substantial growth of 26% to reach 94,000 vehicles. In order to rationalize our investments, the Group transferred 25% interest in the joint venture company of the Shunde Roads project to the PRC partner at a consideration of HK\$662 million. The entire transaction was completed in December 2000. The Group still owns 25% interest.

Guangzhou ESW Ring Road, a major part of the expressway surrounding the downtown of Guangzhou, was completed one year ahead of schedule and is now in full operation. In the last six months, traffic volume improved with daily average traffic flow reaching 36,000 vehicles.

Guangzhou-Zhuhai West Superhighway, a 58km highway starting from Hainan interchange of the Guangzhou ESW Ring Road, passing through Guangzhou, Nanhai and Shunde and ending at the National Route 105 Highway in Zhongshan, will be developed in three phases. The first phase, running from the Hainan Interchange to the Bigui section of Shunde Roads, is estimated to cost RMB1.2 billion, largely funded by RMB loans. The Group will have 50% interest in the development. The construction is expected to commence as soon as all the approvals are obtained from the relevant PRC authorities.

Property

The rental market for office space generally remained active in the second half of 2000. Against a low supply of new office space, occupancies stayed at high level. Under such market situation, Hopewell Centre achieved high occupancy rate of 95%. However, due to the availability of other commercial buildings, overall rental rate remained at a competitive level. The leasing situation at Hongkong International Trade and Exhibition Centre also improved, reaching an average occupancy rate of 62% in the last six months.

A conditional agreement has been entered with a PRC partner for the disposal of the Group's interest in Huanggang Service Area in Shenzhen. The transaction is expected to be concluded when the terms are finalized and are approved by the relevant government authorities.

Hospitality

In 2000, the number of visitor arrivals to Hong Kong continued to increase. Panda Hotel, benefiting positively from the continued upward trend of the tourism industry, registered an improvement in occupancy rate from 67% as of June, 2000 to an average of 78% in the last six months. Comparing with the last corresponding period, room revenue increased by 25% and overall operating profit improved to HK\$8.3 million.

China Hotel in Guangzhou maintained a leading market share with an average occupancy rate of 65%.

Construction

In the review period, the Division reported a small loss of HK\$1.2 million although the Hong Kong construction projects have been contributing to the Group. Given the proven track record in previous contracts, the Group has successfully been awarded new contracts on five government schools.

Our Slip-climbform building method, an innovative and environmental friendly system, has been introduced to the construction industry and proven to be successful in a government project, the Shatin Government office block. The construction industry expressed positive response towards the method which is now currently being applied elsewhere.

Others

The Group has recently performed a critical review of its strategy on resources allocation and utilisation with a view to direct low-yielding assets to finance projects generating steady and attractive cash flows to the Group, particularly the infrastructure projects in the PRC, in order to capture the abundant opportunities expected from China's entry into the World Trade Organisation. In line with this strategy, the Group has reassessed the prospects and disposition of its investment in Grand Hotel Excelsior in Malta, and taking account of its geographical location, considers it appropriate to make a provision to write down its carrying value on a realisation basis.

The Thai Government concluded its feasibility study for a revised Bangkok Elevated Road and Train System, and has been making progress towards its implementation. The Group will continue to find a solution to settle its dispute with the Thai Government.

Negotiation with the Indonesian state-owned electricity company, PT. PLN (Persero) on an amicable resolution for the Tanjung Jati B Power Station is still in progress.

PROSPECTS

China's estimated 7% annual economic growth will enable continuation of the steady increase in traffic toll revenue for our highway projects in the Pearl River Delta region. Furthermore, China's entry into the World Trade Organization and the continuing liberalization of its markets will create a healthy environment for the Group to seek opportunities for new infrastructure projects.

In Hong Kong, the economy has been estimated to grow in the range of 4% to 7%, barring any severe downturn in the U.S. and European economies. The Group is in a strategic position to benefit from the economic growth in Hong Kong although keen competition in the local construction and property markets makes a challenging business environment. Accordingly, the Group will continue to focus on efficient operations and adherence to flexible strategies in all our business areas enabling us to capitalize on new business opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to adopt prudent treasury policies in managing its cash resources and bank borrowings.

Bank balances and cash amounted to HK\$599.4 million as at 31st December, 2000, as compared to the balance of HK\$448.5 million as at 30th June, 2000.

Total net debt maturity profile of the Group as at 31st December, 2000 is analyzed as follows:

	As at 31.12.2000 HK\$ million	As at 30.6.2000 HK\$ million
Repayable within one year	2,311	1,091
Repayable after one year, but within two years	165	1,909
Repayable after two years, but within five years	4,067	4,128
Repayable after five years	3,070	3,069
Total net debt	9,613	10,197

With the existing cash and banking facilities, together with sound recurring cash flow from operations, the Group has adequate financial resources to fund its investment projects.

In January 2001, the Group repaid the non-recourse Guangzhou-Shenzhen Superhighway syndicated bank loan ("GSZ syndicated bank loan") of US\$296 million, which was taken up by the joint venture itself with a 10-year bank loan.

The majority of the Group's borrowings has been used to make interest-bearing loans to co-operative joint ventures. Against the total net debt of HK\$9,613 million (30.6.2000: HK\$10,197 million), the Group has advanced HK\$10,208 million (30.6.2000: HK\$10,233 million) as loans to the joint ventures, which more than offset the Group's borrowings. Interest expenses on the borrowings were substantially covered by interest income from joint ventures.

The Group's capitalization structure (comprising shareholders' equity and borrowings) as at 31st December, 2000 is set out as follows, together with a proforma indicating the Group's capitalization structure after repayment of GSZ syndicated bank loan in January 2001:

As at	Proforma 31.12.2000 HK\$ million	Actual 31.12.2000 HK\$ million	Actual 30.6.2000 HK\$ million
Equity	13,777	13,777	13,643
Net corporate debt	2,672	2,672	2,697
Project debt -			
– GSZ syndicated bank loan (non recourse)	–	2,311	2,872
– 2004 & 2007 Notes (limited recourse)	4,630	4,630	4,628
Total net debt	7,302	9,613	10,197
Total capitalization	21,678	23,989	24,289
Net corporate debt vs equity	19%	19%	20%
Total net debt vs total capitalization	34%	40%	42%

Total net debt of HK\$9,613 million as at 31st December, 2000 denominated in US dollar, HK dollar, Maltese Lire and other currencies were HK\$6,981 million, HK\$2,505 million, HK\$101 million and HK\$26 million respectively. Interest cost of the bank borrowings ranged from 6% to 11% during the first half of the financial year.

Unsecured notes of HK\$4,630 million were denominated in US dollar, consisting of US\$200 million notes maturing in 2004 and US\$393.6 million notes maturing in 2007 at the interest rate of 9⁷/₈% per annum and 10¹/₄% per annum respectively.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st December, 2000

	Notes	(unaudited) Six months ended	
		31.12.2000 HK\$'000	31.12.1999 HK\$'000
Turnover	2	960,519	735,460
Cost of sales		(514,891)	(342,465)
		445,628	392,995
Other revenue		15,029	4,959
Selling and distribution costs		(11,400)	(9,164)
Administrative expenses		(58,041)	(63,220)
Other operating expenses		(16,602)	(16,878)
Profit from operations	2	374,614	308,692
Profit on partial disposal of interest in a jointly controlled entity		375,123	–
Impairment loss on property under development		(290,000)	–
Finance costs	3	(379,650)	(339,825)
Share of results of			
– jointly controlled entities		96,018	104,696
– associates		9,952	9,077
Profit from ordinary activities before taxation		186,057	82,640
Taxation	5	(24,582)	(10,156)
Profit before minority interests		161,475	72,484
Minority interests		(1,566)	(2,794)
Net profit for the period		159,909	69,690
Dividend	6	(43,799)	(43,799)
Profit for the period retained		116,110	25,891
		HK cents	HK cents
Earnings per share	7		
Basic		18.3	8.0

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st December, 2000

	Notes	As at	
		31.12.2000 (unaudited) HK\$'000	30.6.2000 (audited) HK\$'000
Non-current Assets			
Investment properties		6,357,500	6,357,500
Property, plant and equipment		1,121,564	1,154,246
Properties for or under development		665,530	934,854
Interests in jointly controlled entities	8	14,277,683	15,680,410
Interests in associates		114,070	135,341
Other investments		43,160	43,293
Long-term loans receivable		403,764	335,749
Pledged bank deposits		91,440	101,092
		23,074,711	24,742,485
Current Assets			
Inventories		13,233	12,155
Properties for sale		5,250	5,250
Trading securities		21,418	–
Trade and other receivables	9	204,912	264,653
Deposits and prepayments		180,602	188,460
Amounts due from customers for contract work		23	–
Current portion of long-term loans receivable		2,385,281	1,147,530
Bank balances and cash		599,439	448,540
		3,410,158	2,066,588
Current Liabilities			
Trade and other payables	10	1,557,822	1,617,959
Rental and other deposits		82,055	80,195
Amounts due to customers for contract work		76,695	91,866
Provision for taxation		285,655	213,691
Dividend payable		43,799	52,559
Current portion of			
– Long-term borrowings	12	2,435,934	1,195,785
– Warranties		78,000	77,960
Bank loans and overdrafts		145,000	200,014
Other loans, unsecured		19,782	32,795
		4,724,742	3,562,824
Net Current Liabilities		(1,314,584)	(1,496,236)
		21,760,127	23,246,249

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 31st December, 2000

	Notes	As at	
		31.12.2000 (unaudited) HK\$'000	30.6.2000 (audited) HK\$'000
Capital and Reserves			
Share capital	11	2,189,955	2,189,955
Reserves		11,587,083	11,452,680
		13,777,038	13,642,635
Non-current Liabilities			
Long-term borrowings	12	7,515,938	9,112,251
Warranties		398,059	397,939
Amounts due to associates		57,306	83,203
		7,971,303	9,593,393
Minority Interests			
		11,786	10,221
		21,760,127	23,246,249

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31st December, 2000

	Six months ended 31.12.2000 (unaudited) HK\$'000
Exchange differences arising on translation of financial statements of subsidiaries, jointly controlled entities and associates	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 gains not recognised in the condensed consolidated income statement	18,293
Net profit for the period	159,909
Total recognised gains	178,202

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December, 2000

	Six months ended 31.12.2000 (unaudited) HK\$'000
Net cash inflow from operating activities	68,056
Net cash outflow from returns on investments and servicing of finance	(377,536)
Net cash outflow from taxation	(8,793)
Net cash inflow from investing activities	901,003
Net cash inflow before financing	582,730
Net cash outflow from financing	(434,051)
Increase in cash and cash equivalents	148,679
Cash and cash equivalents at beginning of the period	448,526
Effect of foreign exchange rate changes	2,234
Cash and cash equivalents at end of the period	599,439

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2000

1. Accounting Policies

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

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that comparative figures are not presented either for the statement of recognised gains and losses or for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 30th June, 2000.

2. Turnover And Contribution

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

	Six months ended 31st December			
	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Property rental, agency and management	181,935	188,783	117,274	122,599
Hotel operations and management	145,821	146,650	7,139	(9,538)
Infrastructure projects	272,770	204,767	247,865	184,355
Construction and project management	342,923	153,543	(1,227)	(5,057)
Treasury operations				
– interest income	16,122	41,487	16,122	41,487
Others	948	230	12,630	–
	960,519	735,460	399,803	333,846
Less: Unallocated administrative expenses			(25,189)	(25,154)
Profit from operations			374,614	308,692

2. Turnover And Contribution (continued)

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

	Six months ended 31st December			
	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Hong Kong	645,720	491,936	111,108	93,764
People's Republic of China ("PRC")	279,822	230,949	249,600	209,544
Others	34,977	12,575	13,906	5,384
	960,519	735,460	374,614	308,692

3. Finance Costs

	Six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Interest on		
– Bank loans and overdrafts	229,421	239,084
– Notes payable	240,353	236,562
– Warranties payable	15,596	19,306
Notes issue expenses amortised	8,659	8,678
Other finance costs	10,903	6,816
	504,932	510,446
Less: Interest borne by a jointly controlled entity	(109,108)	(127,610)
Interest capitalised	(16,174)	(43,011)
	379,650	339,825

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

4. Depreciation And Amortisation

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

	Six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Depreciation of property, plant and equipment	8,059	8,884
Amortisation of:		
– cost of investments in jointly controlled entities	16,602	16,878
– notes issue expenses	8,659	8,678
	33,320	34,440

5. Taxation

	Six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
The Company and subsidiaries		
Hong Kong Profits Tax	1,669	906
Taxation elsewhere	14,198	(104)
	15,867	802
Jointly controlled entities		
Taxation elsewhere	5,440	7,353
Associates		
Hong Kong Profits Tax	401	462
Taxation elsewhere	2,874	1,539
	3,275	2,001
	24,582	10,156

Provision for Hong Kong Profits Tax is calculated at the rate of 16% (1999: 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 tax has not been provided on the surplus or deficit 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 surplus does not constitute a timing difference for deferred tax purposes.

6. Dividend

	Six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000
Interim dividend at HK5 cents (1999: HK5 cents) per ordinary share payable	43,799	43,799

7. Earnings Per Share

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the six months ended 31st December, 2000 of HK\$159,909,000 (1999: HK\$69,690,000) and on 875,982,121 (1999: 875,982,121) ordinary shares in issue during the period.

Diluted earnings per share is not shown for the six months ended 31st December, 2000 as the Company did not have any dilutive potential shares outstanding throughout the period. Diluted earnings per share is not shown for the six months ended 31st December, 1999 because the exercise price of the share options then outstanding was higher than the average market price for shares for that period.

8. Interests In Jointly Controlled Entities

During the period, the Group completed the disposal of its 25% interest in a jointly controlled entity which undertakes the development and operation of a highway system in Shunde, the PRC, at a consideration of approximately HK\$662 million which gave rise to a gain on disposal of approximately HK\$375 million. After completion of the disposal, the Group still owns a 25% interest in the jointly controlled entity.

During the period, the subsidiary entered into a conditional agreement with the PRC joint venture partners for the disposal of the Group's interest in a jointly controlled entity which undertakes the property development project in Huanggang of Shenzhen, the PRC. The agreement for disposal is subject to approval of the relevant PRC authorities.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

9. 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 trade and other receivables at the balance sheet date:

	As at	
	31.12.2000 HK\$'000	30.6.2000 HK\$'000
Receivables aged		
0 – 30 days	132,699	126,490
31 – 60 days	10,108	7,280
Over 60 days	30,243	105,882
Retention receivables	31,862	25,001
	204,912	264,653

10. Trade And Other Payables

The following is an analysis of trade and other payables at the balance sheet date:

	As at	
	31.12.2000 HK\$'000	30.6.2000 HK\$'000
Payables due		
0 – 30 days	435,034	224,728
31 – 60 days	195,638	178,545
Over 60 days	197,098	494,484
Retention payables	34,612	23,318
Development expenditure payable (Note)	695,440	696,884
	1,557,822	1,617,959

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 subsidiaries pending the outcome of negotiations currently undertaken to recover the costs of investments in these projects.

11. Share Capital

	Number of ordinary shares of HK\$2.50 each '000	Nominal value HK\$'000
Authorised:		
At 30th June, 2000 and 31st December, 2000	1,200,000	3,000,000
Issued and fully paid:		
At 30th June, 2000 and 31st December, 2000	875,982	2,189,955

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

12. Long-Term Borrowings

	As at	
	31.12.2000 HK\$'000	30.6.2000 HK\$'000
Unsecured notes payable	4,534,211	4,523,178
Secured bank loans	5,370,976	5,738,179
Other unsecured loans	46,685	46,679
	9,951,872	10,308,036
Less: Portion due within one year included in current liabilities	(2,435,934)	(1,195,785)
	7,515,938	9,112,251

Included within secured bank loans at 31st December, 2000 are syndicated bank loans of approximately HK\$2,311 million which were on-lent to a joint venture company. Subsequent to 31st December, 2000, the joint venture company repaid these amounts in full to the Group out of its new bank loan facility and the Group, in turn, fully repaid the syndicated bank loans. Accordingly, the syndicated bank loans are included in portion due within one year.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

13. Charges On Assets And Others

- (a) The Group's investments in certain jointly controlled entities engaging in the development of infrastructure projects with an aggregate carrying value of approximately HK\$5,620 million (30.6.2000: HK\$5,191 million) are pledged to the lenders to secure the bank loan facilities to the extent of approximately HK\$3,527 million (30.6.2000: HK\$4,112 million) granted to the Group and its jointly controlled entities to finance the development of such projects. Other advances made by the Group to a jointly controlled entity amounted to HK\$6,037 million (30.6.2000: HK\$5,764 million) have been subordinated to such bank loans.
- (b) Other credit facilities of the Group were secured by mortgages or charges on the Group's properties, bank deposits and other assets with an aggregate carrying value of approximately HK\$6,900 million (30.6.2000: HK\$7,204 million).
- (c) The Group has granted an option to a third party to purchase a 5% interest in a subsidiary. The option can only be exercisable upon the future successful public floatation 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.

14. Commitments And Contingencies

There have been no material changes in commitments and contingent liabilities of the Group since 30th June, 2000.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board of Directors is pleased to announce that Mr. Carmelo K. S. Lee has been appointed an independent non-executive director of the Company with effect from 21st March, 2001.

DISCLOSURE OF ADDITIONAL INFORMATION IN ACCORDANCE WITH THE LISTING RULES

Employees

There were approximately 1,011 employees in the Group as at 31st December, 2000. The Group's remuneration and benefit policies are directly linked to staff performance and market situation. In addition to competitive salaries, the Group provides attractive fringe benefits such as free medical insurance, personal accident insurance cover to its staff. On top of that, the Group has provided on-the-job training to enable staff members to improve their skills and career potential.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial 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 Listing Rules.

Practice Note 19 to 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 the headings "Interests in Jointly Controlled Entities" and "Interests in Associates" in the condensed consolidated balance sheet as at 31st December, 2000.

A proforma combined balance sheet of the Affiliated Companies as at 31st December, 2000, is presented below:

	Combined Total HK\$ million	Funds injected by the Group HK\$ million
Property, plant and equipment	20,225	
Properties for or under development	849	
Current assets	1,270	
Total assets	22,344*	
Financed by:		
Registered capital/share capital	2,379	1,604#
Accumulated losses	(1,362)^	
	1,017	
Non-current liabilities		
– Advances from shareholders/ joint venture partners/related companies	15,094	8,646#
– Syndicated bank loans procured by a joint venture partner	2,311	2,311#
– Other long-term loans	1,824	
	19,229	
Current liabilities	2,098	57
Shareholders' fund & total liabilities	22,344*	12,618

* With the exception of the investments in the two property-development joint ventures which are immaterial, all fixed assets, 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, 2000, the Group had made capital contribution and advances of HK\$702 million and HK\$8,349 million respectively to the joint venture company, Guangzhou-Shenzhen-Zhuhai Superhighway Co. Ltd., which undertakes the Guangzhou-Shenzhen Superhighway project. Such advances carry interest at LIBOR+1.5% per annum. A portion of the advances amounting to HK\$2,311 million was financed by syndicated bank loans on an on-lending basis which is secured by floating charges on the assets of the joint venture company with no recourse to the Company and has been prepaid in full during January 2001. The remaining portion is unsecured, without fixed repayment terms and is repayable out of the net cash surplus from operation of the joint venture company. The Company has undertaken on a joint and several basis to provide funds to the joint venture company to meet its operating expenses.

Substantial Shareholders

Save as disclosed under the section headed “Directors’ Interest in Shares”, as at 31st December, 2000, 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, 2000, 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	17,340,000	246,000	1,980,000	-	19,566,000
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	6,200	-	-	14,737

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
Joachim Burger	Mega Hotels Management Limited	297,000	-	-	297,000
Victor Tzar Kuoi Li	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(ii)	(ii)

Notes:

- (i) Mr. Eddie Ping Chang Ho together with his associate beneficially owned 70% 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\$2,000,000 and the 9⁷/₈% Notes due 2004 for a face amount of US\$3,500,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by a company in which Mr. Victor Tzar Kuoi Li was entitled to exercise or control the exercise of 1/3 or more of the voting power at its general meeting.
- (iii) 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.

Sir Gordon Ying Sheung Wu, KCMG
Chairman and Managing Director

Hong Kong, 21st March, 2001