

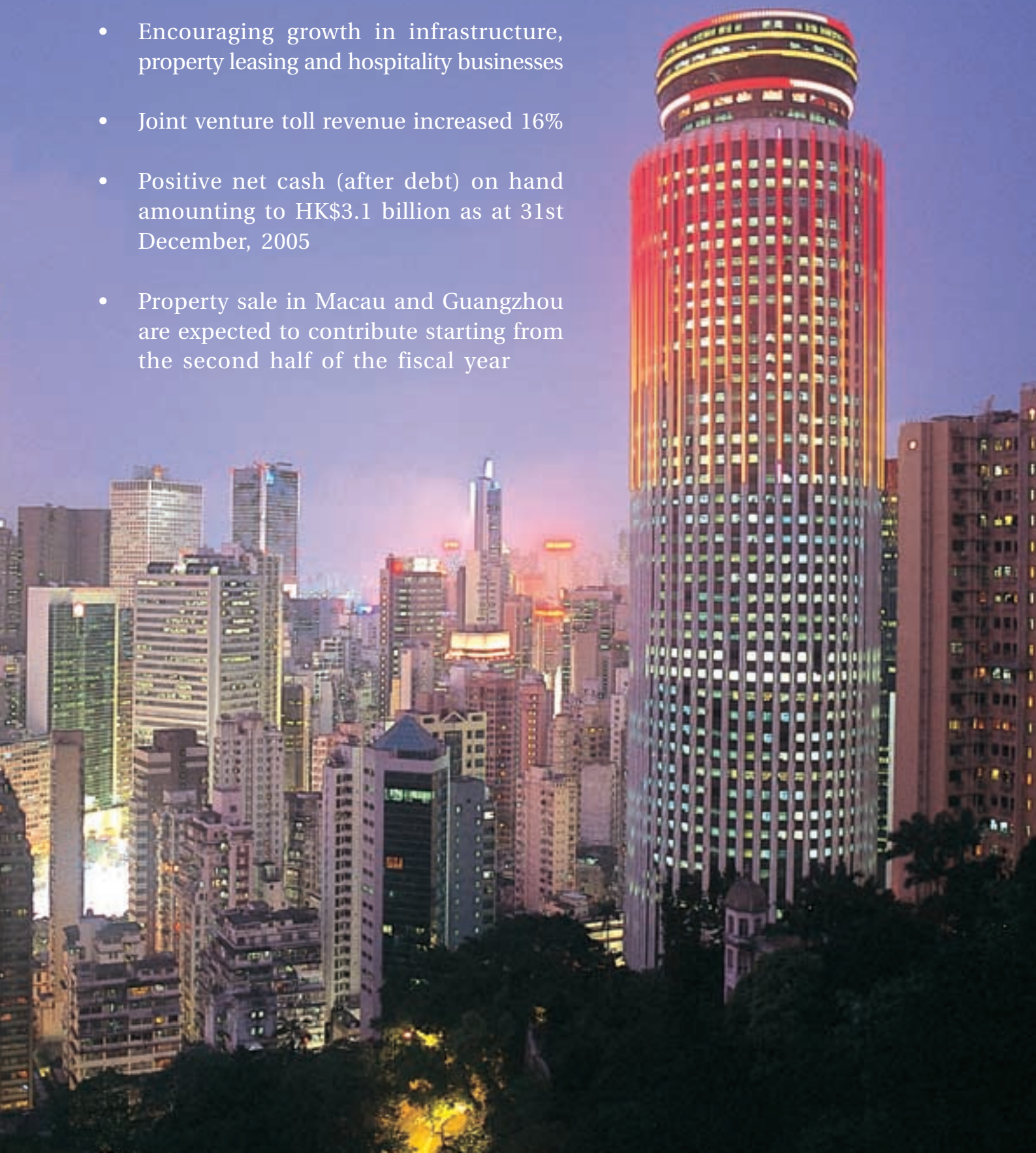


HOPEWELL
Holdings Limited
2005-2006 Interim Report
合和實業有限公司
二零零五至二零零六年中期報告



Highlights

- EBIT rose 11% to HK\$699 million
- Interim dividend of HK36 cents per share
- Encouraging growth in infrastructure, property leasing and hospitality businesses
- Joint venture toll revenue increased 16%
- Positive net cash (after debt) on hand amounting to HK\$3.1 billion as at 31st December, 2005
- Property sale in Macau and Guangzhou are expected to contribute starting from the second half of the fiscal year



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Group Results

The Board of Directors of Hopewell Holdings Limited (“the Company”) is pleased to announce the unaudited interim results of the Group for the six months ended 31st December, 2005.

Overview

New and revised accounting standards (“New Accounting Standards”) issued by the Hong Kong Institute of Certified Public Accountants effective in respect of the period under review have been adopted by the Group. For the six months ended 31st December, 2005, the Group’s turnover by activities and their respective earnings before interest and tax are reported as follows:-

	Turnover ^(Note 1)		Earnings before interest & tax ^(Notes 2 & 3)	
	2004 HK\$'M	2005 HK\$'M	2004 HK\$'M	2005 HK\$'M
Infrastructure project investment	26	56	447	540
Property letting, agency & management	150	160	90	92
Hotel operations, restaurant & catering	168	180	31	38
Property development	—	—	72	(13)
Others	5	—	(13)	42
	349	396	627	699
Share of turnover of joint ventures engaging in toll expressway business	741	860		
	1,090	1,256		

	Results ^(Note 2)	
	2004 HK\$'M	2005 HK\$'M
Earnings before interest & tax ^(Note 3)	627	699
Exceptional items ^(Note 4)	900	473
Fair value change on investment properties		
— Revaluation increase	—	168
— Attributable tax effect	—	(29)
Finance costs	(53)	(30)
Taxation	(13)	(1)
Net profit	1,461	1,280
Attributable to:		
Equity holders of the Company	1,262	1,118
Minority interests ^(Note 4)	199	162
	1,461	1,280

Group Results (continued)

Notes:

- (1) Turnover represented the sum of the Group's turnover of HK\$396 million (2004: HK\$349 million) plus the Group's attributable share of turnover of jointly-controlled entities engaging in infrastructure project investment of HK\$860 million (2004: HK\$741 million).
- (2) Certain comparative figures of the last corresponding period have been restated following the adoption of the New Accounting Standards in the current period.
- (3) Earnings before interest & tax represented the sum of (i) profit from operations before fair value change on investment properties and exceptional items of HK\$144 million (2004: HK\$60 million); and (ii) share of profits of jointly controlled entities and associates of HK\$555 million (2004: HK\$567 million).
- Following the adoption of HKAS 1, the Group's share of taxation of jointly controlled entities and associates for the current period totalling HK\$59 million (2004: HK\$25 million) are presented net of the share of profits of jointly controlled entities and associates.
- (4) The amount included exceptional gain on disposal of a power plant project attributable to minority interests of HK\$9 million (2004: HK\$82 million).

Impact of New Accounting Standards

The table below illustrates the effects of the New Accounting Standards on the results of the Group for the six months ended 31st December, 2005.

	2004 HK\$'M	2005 HK\$'M
Profit attributable to shareholders before adoption of New Accounting Standards	1,268	991
(a) Fair value changes on investment properties (less attributable deferred tax provision) <i>(Note a)</i>		
— Group	—	139
— An Associate	—	(2)
(b) Depreciation on hotel property and owner-occupied properties (net of attributable decrease in deferred tax provision) <i>(Note b)</i>	(6)	(6)
(c) Fair value adjustment on interest free loans receivable <i>(Note c)</i>	—	(1)
(d) Share-based payments <i>(Note d)</i>	—	(3)
Profit attributable to shareholders after adoption of New Accounting Standards	1,262	1,118

Notes:

- (a) In prior financial periods, surpluses or deficits arising on the open-market valuation of the Group's investment properties were dealt with in the investment property revaluation reserve. Following the adoption of HKAS 40, the surpluses or deficits arising from the revaluation are recognized in the income statement. As a result, the Group's profit for the current period increased by HK\$168 million (2004: Nil). With the adoption of HKAS-Int 21, deferred tax charge of HK\$29 million (2004: Nil) has been provided for on the fair value increase on investment properties.
- (b) Following the adoption of HK Int-2, depreciation has to be charged on owner-operated hotel properties. In addition, HKAS 40 also requires owner-occupied portion of investment properties to be treated as property, plant and equipment which are subject to depreciation. Depreciation on hotel property and owner-occupied properties charged to income statement amounted to HK\$7 million (2004: HK\$7 million). The resulting decrease in deferred tax provision amounted to HK\$1 million (2004: HK\$1 million).
- (c) With the adoption of HKAS 39, certain interest free loans receivable are measured at fair value on initial recognition and stated at amortised cost using the effective interest method at subsequent balance sheet dates and resulted in a decrease of net profit after minority interests of HK\$1 million for the current period (2004: Nil).
- (d) The adoption of HKFRS 2 has resulted in recognition of the fair value of share options granted during the period as expenses over the vesting period. The expense charged to income statement of the period amounted to HK\$3 million (2004: Nil).

Group Results (continued)

Turnover

Turnover for the six months ended 31st December, 2005, including the Group's proportionate share of turnover of jointly-controlled entities engaging in toll expressway business, was HK\$1,256 million, a 15% increase as compared with HK\$1,090 million of the last corresponding period. The increase was mainly due to the growth of the property rental, hospitality, and, in particular, the road infrastructure businesses. The Group's attributable share of toll revenue of the three expressways under operation, namely Guangzhou-Shenzhen Superhighway, Guangzhou East-South-West Ring Road and Phase I of the Western Delta Route, amounted to HK\$860 million for the period under review, representing a 16% increase over HK\$741 million of the last corresponding period.

Earnings before Interest and Tax

The Group's earnings before interest and tax ("EBIT") increased by 11% to HK\$699 million from HK\$627 million of the last corresponding period. The increase was mainly attributable to the growth of road infrastructure, property rental and hospitality businesses totalling HK\$102 million and increase in interest income of HK\$25 million. These favourable results were, however, partly offset by a lower EBIT from property development business as compared to the last corresponding period's gain of HK\$72 million mainly from the disposal of the development right by a joint venture company.

Exceptional Items

The gain from exceptional items was HK\$473 million as compared to HK\$900 million of the last corresponding period. The amount included (i) gain on disposal of interests in Shunde Roads project of HK\$163 million (2004: HK\$496 million); (ii) gain on disposal of interests in Bangkok Elevated Road and Train System project of HK\$265 million (2004: Nil); and (iii) gain on disposal of interests in Tanjung Jati B Power Plant project of HK\$45 million (2004: HK\$404 million).

Net Profit Attributable to Equity Holders of the Company

Net profit attributable to equity holders of the Company was HK\$1,118 million as compared to HK\$1,262 million of the last corresponding period. The difference was mainly due to decrease in exceptional gain (net of amount attributable to minority interests) from the last corresponding period's HK\$818 million to HK\$464 million, which was partly offset by the after-tax effect of fair value increase on investment properties of HK\$139 million following the adoption of HKAS 40.

Excluding the effects of the exceptional items and fair value increase on investment properties, net profit attributable to equity holders of the Company would be HK\$515 million, a 16% increase over HK\$444 million of the last corresponding period.

Interim Dividend

The Board of Directors has declared an interim dividend of HK36 cents per ordinary share in respect of the financial year ending 30th June, 2006 (30th June, 2005: interim dividend of HK12 cents and special interim dividend of HK30 cents). The dividend will be paid on or about 23rd March, 2006 to those shareholders as registered at the close of business on 22nd March, 2006.

Close of Register

The register of members of the Company will be closed from Friday, 17th March, 2006 to Wednesday, 22nd March, 2006, both days inclusive, during which no transfer of shares of the Company 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 Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 16th March, 2006.

Business Review

Rental Property

Turnover of the property rental business for the period under review, contributed mainly from Hopewell Centre, increased from HK\$150 million of the last corresponding period to HK\$160 million. EBIT increased from HK\$90 million to HK\$92 million. Both increases were largely attributable to the improved performance of Hopewell Centre.

Hopewell Centre, Wanchai

The average occupancy rate of Hopewell Centre, our Group's flagship property, improved from the last corresponding period's 92% to about 96%. Rental rates achieved during the period under review on new leases have been progressively higher. The final stage of the major renovation works for the common areas and building facilities to upgrade the property is scheduled for completion by 2006. Benefiting from the upward market trend coupled with the phased completion of the comprehensive renovation program, the rental rates for new leases are expected to maintain its upward momentum within this financial year.

Business Review (continued)

Hongkong International Trade and Exhibition Centre, Kowloon Bay

The average occupancy of The Hongkong International Trade and Exhibition Centre (“HITEC”) during the period under review, though facing fierce competition from the supply of new office space in the area, still stood steadily at around 60%, almost the same level as that of the last corresponding period. Turnover from conventions and exhibitions, benefiting from the economic upturn, increased about 14% as compared to the last corresponding period.

The land lease modification of HITEC in January 2005 permits area of the building for office, commercial and retail uses. The Group plans to invest in revamping the building and turning 600,000 square feet into a modernized indoor entertainment destination point.

Panda Place, shopping mall of Panda Hotel

Panda Place, located on the ground and three basement levels of Panda Hotel, was revamped into a modern and stylish shopping mall. The shopping mall features themes of food and beverages, lifestyle and entertainment, targeting at the middle to upper markets of the affluent local families and hotel guests.

Following its soft opening in the third quarter of 2005, Panda Place has achieved an encouraging occupancy rate of over 72% by December 2005. Regular campaigns will continually be staged to attract visitors and establish the mall as an important shopping centre in Tsuen Wan.

Hotel and Catering

Turnover and EBIT of the hospitality business during the period under review increased to HK\$180 million and HK\$38 million respectively, as compared to HK\$168 million and HK\$31 million of the last corresponding period. The increases were mainly due to the continued good performance of Panda Hotel and the improved performance of the restaurant and catering services.

Panda Hotel, Tsuen Wan

Revenue of Panda Hotel increased 4% to HK\$94 million as compared to the last corresponding year. Average room rate increased by 4% and average room occupancy increased from 89% to 90%. The improvement was attributable to the strong economic recovery and rebound of both short and long hauls visitor arrivals.

Despite intensive competition from the new hotel supply in the adjacent areas, the hotel expects strong business momentum be continued in view of the increase in visitor arrivals in 2006 anticipated by the Hong Kong Tourism Board. The hotel will further strengthen its marketing schemes and continue its on-going renovation program for guestrooms, restaurants and other facilities to sustain its competitiveness.

Restaurant and Catering Services

Contribution from Bayern Gourmet Food (the food manufacturer and supplier) reported remarkable

Business Review (continued)

growth while the overall performance of the Revolving 66 Restaurant at Hopewell Centre and, Yuet Loy Heen and Grand Buffet Restaurant at HITEC improved during the period under review.

Property Development

The property development business for the period under review reported an EBIT loss of HK\$13 million which represented mainly the marketing costs incurred for pre-sale of the Nova City in Macau and Hopewell New Town in Huadu district of Guangzhou, as compared to the last corresponding period's gain of HK\$72 million. Last period's gain was mainly from the disposal of the development right in Phase 4 of Nova Taipa Gardens.

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

Construction works for the first phase development of Hopewell New Town, which consists of 6 apartment blocks and 57 townhouses with gardens (with a total gross floor area of approximately 100,000 square meters), are on schedule. In December 2005, construction works for 4 apartment blocks and 57 townhouses were completed. Pre-sale of these units has commenced in October 2005 and received satisfactory response. Successive promotional campaigns will be strategically launched during the financial year ending June 2006.

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

Nova Taipa Gardens is a multi-phased joint venture property development project. Nova City, Phase 2 of this multi-phased project, is now under construction. Construction works for the first sub-phase of Nova City, which covers 5 residential blocks providing 684 units (with a total gross floor area of approximately 1,100,000 square feet) and about 800 parking spaces, is well advanced and completion is planned to be before the financial year ending June 2006. Construction works for the second sub-phase of Nova City, which covers 4 residential blocks providing 552 units (with a total gross floor area of approximately 970,000 square feet) has commenced and completion is planned to be before the financial year ending June 2007.

In the last quarter of 2005, the pre-sale of first sub-phase of Nova City was launched with overwhelming response. Over 90% of these flats are pre-sold with an average selling price of around HK\$1,750 per square foot. If completion of these pre-sales materialized in the second quarter of 2006 as currently planned, the Group expects sales profits to be recognized in the second half of this financial year.

The Group believes Macau is a market of phenomenal potential growth and it is committed to develop high-end residential and commercial properties to satisfy Macau's needs as an international metropolis and travel destination. A four-year plan for the phased development of the project is being pursued with planned completion of the first, second and third sub-phases of Nova City, and Phase 3 of Nova Taipa Gardens by the respective financial year ending June 2006, 2007, 2008 and 2009, providing more than 500 units each year. The Group, with its investment in the project since December 1987, expects to yield good profits from development and sale of the project over time.

Business Review (continued)

Commercial Development, 196-206 Queen's Road East, Wanchai

Foundation work for development of the site at 196-206 Queen's Road East into a commercial building of about 75,000 square feet is in progress. Construction works are presently planned to complete in 2007. The present planned total project investment cost is around HK\$150 million.

Residential and Commercial Tower, 214-224 Queen's Road East, Wanchai

Demolition work at 214-224 Queen's Road East site for development into a residential and commercial building of about 95,000 square feet has been completed. The present plan is for foundation work to commence in 2006 and construction works to complete in 2008, with present planned total project investment cost being around HK\$250 million.

Mega Tower Hotel, Wanchai

The Group has lodged a notice of appeal to the Town Planning Board in May 2005 for its rejection of the Group's planning application to develop the proposed 2,000-room Mega Tower Hotel at the site adjacent to the Hopewell Centre. A hearing date is being arranged by the Town Planning Appeal Board. Alternatives in materializing the project are still being reviewed by the Group.

Infrastructure

EBIT from infrastructure business for the period under review increased 21% from HK\$447 million of the last corresponding period to HK\$540 million due to the growth in traffic flow and toll revenue of the three expressway projects, viz. Guangzhou-Shenzhen Superhighway ("GS Superhighway"), Guangzhou East-South-West Ring Road ("ESW Ring Road") and Phase I of the Western Delta Route ("Phase I West"), invested by the Group's listed subsidiary, Hopewell Highway Infrastructure Limited ("HHI").

HHI

HHI, in which the Group continues to retain approximately 75% shareholding, focuses on the initiation, promotion, development, investment and operation of toll expressways and bridges. During the period under review, the three expressways have sustained continuing steady growth in both traffic flow and toll revenue. For the six months ended 31st December, 2005, the aggregate average daily traffic and aggregate average daily toll revenue of the three expressways recorded an increase of 21.6% and 11.3% to 366,000 vehicles and RMB 10.16 million respectively. The total toll revenues in the six months reached RMB 1,870 million. Apart from robust growth in toll revenue, HHI also benefits from Renminbi appreciation under the new Renminbi exchange rate regime since late July 2005, including the bulk of its revenue is in Renminbi and in the period, an exchange gain on retranslation of the US dollar bank loans borrowed by a jointly controlled PRC entity has been recognised.

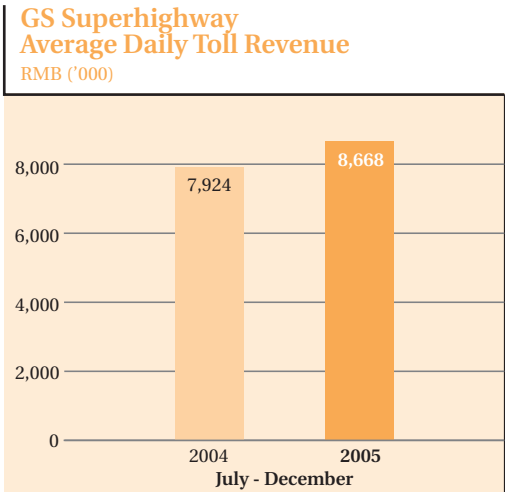
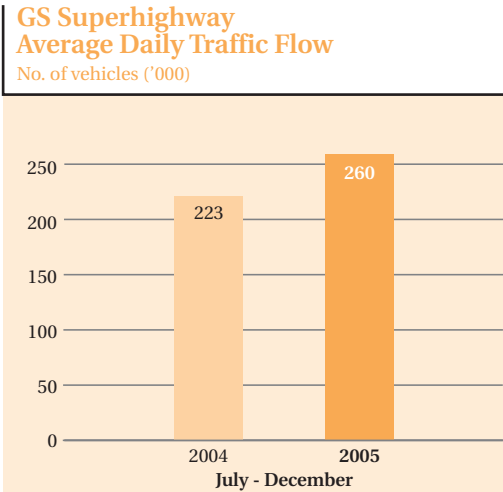
Business Review (continued)

In view of the continuous economic growth in the PRD, the successive completion of the road networks in the province, the substantial increase in car ownership and the fast sustaining growth in passenger and freight transportation, the strategic importance of HHI's expressways become increasingly apparent. HHI expects the traffic flow and toll revenue of the GS Superhighway, the ESW Ring Road and the Phase I West will maintain a continuous stable growth.

Construction of the Phase II of the Western Delta Route, connecting to the Phase I West, has been commenced in December 2005, whereas the preparation works of the Phase III of the Western Delta Route are underway. HHI believes that the whole Western Delta Route, upon completion, will become a strategic route on the western bank of the PRD.

Guangzhou-Shenzhen Superhighway ("GS Superhighway")

The 122.8 km GS Superhighway, with totally 6 lanes in dual directions, is the main artery in the expressway network of the PRD. It connects to four major cities, namely Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, the average daily traffic reached 260,000 vehicles, an increase of 16.7% as compared to the last corresponding period. The average daily toll revenue grew 9.4% to RMB 8.67 million. Total toll revenue in the six months under review reached RMB 1,600 million.



In accordance with the unitoll policy of the Guangdong Provincial Government, the toll system of the GS Superhighway has successfully connected to and integrated with the Guangdong provincial unitoll collection system, which by December 2005, already covers ten expressways in the PRD, including the GS Superhighway, the Dongguan's Changhu Expressway (newly opened in September 2005 and connecting to the GS Superhighway), the Humen Bridge and others, providing drivers with a convenient "non-stop" rapid transportation network and toll payment service.

Business Review (continued)

In addition, HHI believes the traffic growth of the GS Superhighway will further benefit from the newly constructed Shajing toll station in Shenzhen which opened to traffic in January 2006 and the coming connection to the Shenzhen Nanping Expressway at Tang Lang Shan toll station planned to open to traffic in mid-2006.

During the period under review, the joint venture company has persisted in enhancing the highway's service standards and improving its ancillary traffic facilities, including installations of additional road lightings, traffic monitoring closed circuit televisions, changeable message signboards and light reflective road studs along the main alignment. In 2006, it plans to expand certain toll stations with heavy traffic to facilitate increasing traffic throughput and to continue its study of the feasibility in widening the GS Superhighway from its current total 6 lanes to 10 lanes.

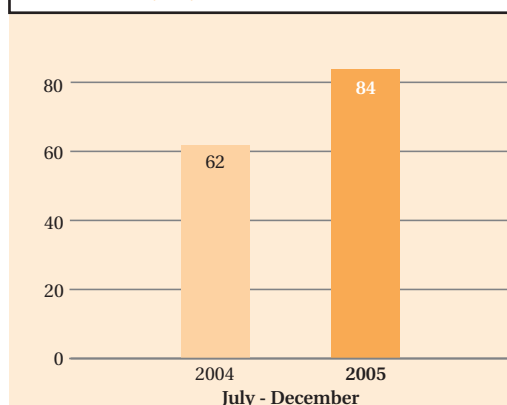
HHI believes that with the sustained robust economic growth of Guangdong Province, the continuing improvement in living standard and per capita income, and increase in car ownership, the traffic flow and toll revenue of the GS Superhighway will maintain continuous stable growth.

Guangzhou East-South-West Ring Road ("ESW Ring Road")

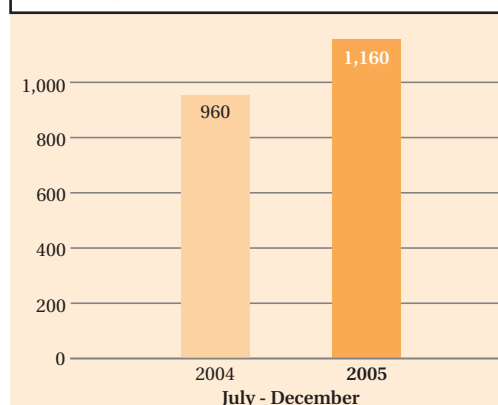
The 38 km ESW Ring Road, with totally 6 lanes in dual directions, is a major route in the PRD and Guangzhou expressway network. The ESW Ring Road connects to the GS Superhighway in the east, connects to the Nansha Port Expressway and Phase I West in the south; and links with the Guangfo Expressway in the west, and several inter-city expressways which are under construction. It plays a vital role in relieving the pressure of traffic congestion in the inner city of Guangzhou and in providing a speedy route passing through Guangzhou en route to other destinations.

During the period under review, the ESW Ring Road exhibited a robust growth in traffic flow and toll revenue. The average daily traffic grew 36% to 84,000 vehicles and the average daily toll revenue rose 21% to RMB 1.16 million. Total toll revenue in the six months under review reached RMB 210 million.

**ESW Ring Road
Average Daily Traffic Flow**
No. of vehicles ('000)



**ESW Ring Road
Average Daily Toll Revenue**
RMB ('000)



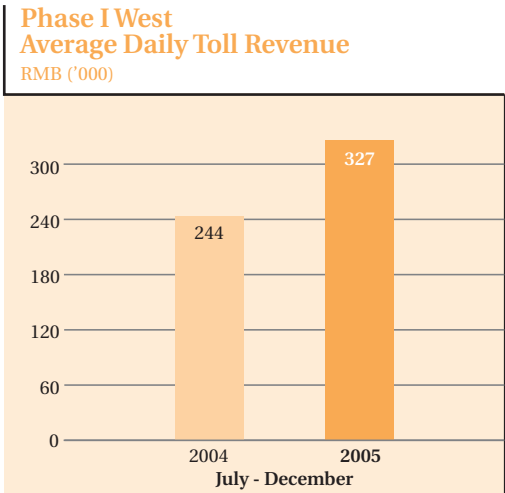
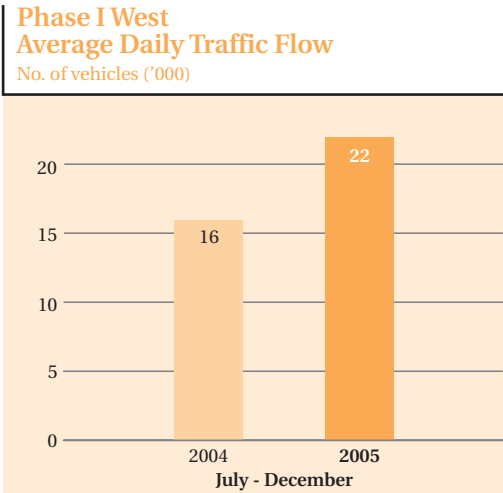
Business Review (continued)

With the steady economic growth of Guangzhou and the successive completion of the neighboring expressway networks, HHI believes that the traffic volume and toll revenue of this expressway will rise continually.

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

The 15 km Phase I West, with totally 6 lanes in dual directions, is a new expressway on the western bank of the PRD. It connects to the ESW Ring Road in the north and the National Highway 105 and Bigui Road of Shunde in the south.

The Phase I West recorded remarkable growth in both traffic flow and toll revenue since it opened to traffic. During the period under review, the average daily traffic increased 38% to 22,000 vehicles and the average daily toll revenue rose 34% to RMB 327,000 as compared with the last corresponding period. Total toll revenue in the six months under review reached RMB 60 million.



Currently, the Phase I West is the only expressway linking Guangzhou and Shunde. With the increasing inter-city activities between the two cities accompanied by further economic development, HHI believes that both the traffic flow and toll revenue of Phase I West will continue to grow.

Phases II and III of the Western Delta Route (“Phase II West” and “Phase III West”)

The Phase II West is a 46 km expressway with totally 6 lanes in dual directions. It will connect to the Phase I West in the north and the National Highway 105 and the proposed western expressway of Zhongshan in the south. The project, in which HHI owns a 50% interest, commenced construction in December 2005 with anticipated construction period of three years. The total investment, excluding interest during construction, is approximately RMB 4,900 million according to present estimation.

The Phase III West is a 38 km expressway project to link the Phase II West to Zhongshan and Zhuhai. In September 2005, HHI conditionally amended the agreements with the PRC

Business Review (continued)

partner of the Phase I West (same partner as Phase II West) to invest, construct and operate the Phase III West. Currently, preparation works are underway.

Upon the completion of the Phase II West and the Phase III West, the Western Delta Route will link up the major cities, namely Guangzhou, Foshan, Zhongshan and Zhuhai to become a strategic route on the western bank of the PRD.

Hong Kong–Zhuhai–Macau Bridge Project

It was reported in the media that the feasibility study of the project has been completed. The project details and the bidding arrangements are pending governments' announcement. HHI believes that it is well positioned to play an important role in the project once it proceeds.

Other Projects

Shunde Roads

For the Shunde Roads project, during the period under review, HK\$163 million out of the total outstanding disposal amount of HK\$244 million has been received and recognized as a gain. The remaining outstanding balance will be recognized as gains as and when received.

Tanjung Jati B Power Plant Project (“TJB”) in Indonesia

A gain of HK\$45 million on the TJB disposal was recognized in the period under review (2005: HK\$404 million). Up to 31st December, 2005, the TJB disposal has generated a net cash surplus of HK\$1,533 million to the Group. The remaining outstanding receivable amounting to approximately HK\$128 million will be recognized as gains as and when received.

Bangkok Elevated Road and Train System (“BERTS”)

A sale and purchase agreement was entered on 29th November, 2005 for the disposal of the Company's interests in Hopewell (Thailand) Limited (“HTL”), a wholly-owned subsidiary which undertook the BERTS project.

A disposal gain of approximately HK\$265 million was recognized in the period under review, mainly representing write back of provisions, following the disposal of HTL, for costs incurred for the BERTS project.

Financial Review

Liquidity and Financial Resources

The Group maintains a strong financial position with net cash balances, including those held by HHI, of HK\$3,096 million as at 31st December, 2005 (30th June, 2005: HK\$3,329 million).

In October 2005, HHI successfully completed a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$ 3,600 million. As at 31st December, 2005, the Group's deposits, cash holdings, and liquid notes as well as the existing banking facilities, amounted to approximately HK\$12,268 million (30th June, 2005: HK\$8,897 million).

The Group is financially well positioned for recurring operating activities, present and potential investment activities given its solid deposits, cash holdings as well as the available banking facilities on hand. The expected cash proceeds from the pre-sales of Nova City in Macau and Hopewell New Town in Huadu will further strengthen the Group's financial position.

Treasury Policies

The Group centralizes its treasury activities at group level for better management of financial risks and for obtaining cost efficient funds. The use of financial instruments is strictly controlled and is solely for managing the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings.

The reform of Renminbi exchange rate regime, with an initial appreciation of approximately 2% in July 2005, benefited the Group as a whole given the revenue from business operations of HHI and its jointly controlled entities are mainly denominated in Renminbi.

In terms of bank borrowings, the Group has no significant exposure to foreign exchange risk given the majority of its borrowings was denominated in Hong Kong dollars. As at 31st December, 2005, the Group's borrowings, which are principally arranged on a floating rate basis, amounted to HK\$55 million (30th June, 2005: HK\$55 million) with a maturity period of two years.

The Group's capital structure, which is mainly financed by equity, is shown as below:

	<i>As at</i>	
	<i>30.6.2005</i>	<i>31.12.2005</i>
	<i>(Note)</i>	
	<i>HK\$'M</i>	<i>HK\$'M</i>
Equity attributable to equity holders of the Company	15,466	16,371
Minority interests	2,469	2,556
Total Equity	17,935	18,927
Bank Borrowings	55	55
Total Capitalization	17,990	18,982

(Note): Following the adoption of the New Accounting Standards, the comparative figures as of 30th June, 2005 has been restated to facilitate evaluation of financial performance.

Financial Review (continued)

Contingent Liabilities

Details of the contingent liabilities are set out in note 24 to the condensed financial statements.

Charges on Assets

During the six months ended 31st December, 2005, no mortgage was charged on the Group's properties.

Project Commitments

Details of the project commitments are set out in note 23 to the condensed financial statements.

Material Acquisitions or Disposal

Other than the disposal of Hopewell (Thailand) Limited as mentioned under the Business Review section, there was no material acquisition or disposal of the Company's subsidiaries and associates during the six months ended 31st December, 2005.

Prospects

The Group will continue to focus on Infrastructure, Property and Hospitality businesses, and pursue our goal of maintaining a leading position in these sectors in the PRD. It believes that the robust economic recovery in Hong Kong, the strong economic growth of Macau and the continued rapid economic development in other areas within the PRD, coupled with the economic integration brought by the CEPA initiatives, will bolster the performance of its three core businesses.

Riding on the favourable property market, the Group has made good progress on its property development projects, including the two new property projects at Queen's Road East in Wanchai. The Group will continue with its phased development of Nova City in Macau and Hopewell New Town in Huadu district of Guangzhou. On materialization of the completion as planned of the pre-sold flats in Nova City, the Group would be in a position to recognize such gains in the financial year ending June 2006. For the Mega Tower Hotel project, the Group is continuing its efforts to materialize it. Through HHI, the Group has commenced construction works of Phase II West in December 2005. It will also continue its efforts to finalize the preparation works relating to the Phase III West and to complete the feasibility study of widening the GS Superhighway. We believe HHI is well positioned to play a vital role in the Hong Kong-Zhuhai-Macau Bridge project when it proceeds.

Other Information

Review of Interim Results

The unaudited interim results of the Group for the six months ended 31st December, 2005 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December, 2005, the interests and short positions of the Directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) the Company⁽ⁱ⁾

Directors	Shares				Underlying shares of equity derivatives ^(iv) (i.e. share option)	Total interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests ⁽ⁱⁱⁱ⁾			
Gordon Ying Sheung WU	71,744,032	21,910,000 ^(v)	111,250,000 ^(vi)	30,680,000	–	235,584,032 ^(ix)	26.22%
Eddie Ping Chang HO	24,240,462	1,365,538	2,050,000	–	–	27,656,000	3.08%
Josiah Chin Lai KWOK	1,005,000	–	–	–	–	1,005,000	0.11%
Thomas Jefferson WU	27,130,000	–	820,000	–	–	27,950,000	3.11%
Henry Hin Moh LEE	5,345,322	–	–	–	–	5,345,322	0.59%
Robert Van Jin NIEN	720,000	–	–	–	–	720,000	0.08%
Guy Man Guy WU	2,645,650	–	–	–	–	2,645,650	0.29%
Ivy Sau Ping KWOK WU	21,910,000	121,804,032 ^(vii)	61,190,000 ^(viii)	30,680,000	–	235,584,032 ^(ix)	26.22%
Linda Lai Chuen LOKE	–	1,308,981	–	–	–	1,308,981	0.15%
David Yau-gay LUI	8,537	–	–	–	–	8,537	0.00%
Albert Kam Yin YEUNG	250,000	–	–	–	950,000	1,200,000	0.13%
Andy Lee Ming CHEUNG	500,000	–	–	–	500,000	1,000,000	0.11%
Eddie Wing Chuen HO Junior	500,000	–	–	–	–	500,000	0.06%
Lee Yick NAM	90,000	–	–	–	–	90,000	0.01%
Barry Chung Tat MOK	–	–	–	–	2,500,000	2,500,000	0.28%

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives of the Company were long positions. None of the Directors or chief executives held any short position in the shares and underlying shares of equity derivatives of the Company.
- (ii) The corporate interests were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The other interests in 30,680,000 shares represented the interests held by Sir Gordon Ying Sheung WU ("Sir Gordon WU") jointly with his wife Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU").
- (iv) The interests in underlying shares of equity derivatives represented interests in options granted to Directors under the 2003 Share Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options of the Company".
- (v) The family interests in 21,910,000 shares represented the interests of Lady Ivy WU.
- (vi) The corporate interests in 111,250,000 shares held by Sir Gordon WU included the interests in 61,190,000 shares referred to in Note (viii).
- (vii) The family interests in 121,804,032 shares represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 50,060,000 shares held by Sir Gordon WU through corporations.
- (viii) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (ix) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

Other Information (continued)

(B) Associated Corporations

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

Directors	HHI shares	Underlying shares of equity derivatives ⁽ⁱ⁾ (i.e. HHI warrants)				Total interests	% of issued share capital
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests		
Gordon Ying Sheung WU	300,000 ⁽ⁱⁱⁱ⁾	6,249,403	2,191,000 ⁽ⁱⁱⁱ⁾	11,124,999 ^(iv)	3,068,000 ^(v)	22,933,402 ^(xi)	0.79%
Eddie Ping Chang HO	2,165,600 ^(vi)	–	–	–	–	2,165,600	0.07%
Thomas Jefferson WU	550,000 ^(vii)	4,480,500	–	82,000	–	5,112,500	0.18%
Henry Hin Moh LEE	–	279,530	–	–	–	279,530	0.01%
Robert Van Jin NIEN	–	10,000	–	–	–	10,000	0.00%
Ivy Sau Ping KWOK WU	300,000 ^(viii)	2,191,000	11,255,403 ^(ix)	6,118,999 ^(x)	3,068,000 ^(v)	22,933,402 ^(xi)	0.79%
David Yau-gay LUI	–	853	–	–	–	853	0.00%

Notes:

- (i) These represented warrants of HHI, which conferred rights to subscribe for HHI shares at HK\$4.18 per HHI share (subject to adjustments) exercisable during a period of 3 years from 6th August, 2003 to 5th August, 2006.
- (ii) These HHI warrants were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The interests in 300,000 HHI shares and 2,191,000 underlying shares of HHI warrants were interests held by Lady Ivy Sau Ping KWOK WU (“Lady Ivy WU”), the wife of Sir Gordon Ying Sheung WU (“Sir Gordon WU”). The former interests represented the same block of shares in Note (viii).
- (iv) The corporate interests in 11,124,999 underlying shares of HHI warrants held by Sir Gordon WU included the corporate interests in 6,118,999 underlying shares of HHI warrants referred to in Note (x).
- (v) The other interests in 3,068,000 underlying shares of HHI warrants represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (vi) The interests in 2,165,600 HHI shares held by Mr. Eddie Ping Chang HO included personal interests of 1,824,046 HHI shares, family interests of 136,554 HHI shares and corporate interests of 205,000 HHI shares.
- (vii) The interests in 550,000 HHI shares represented beneficial interests of Mr. Thomas Jefferson WU.
- (viii) The interests in 300,000 HHI shares were personal interests beneficially owned by Lady Ivy WU and represented the same block of shares in Note (iii).
- (ix) The family interests in 11,255,403 underlying shares of HHI warrants represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 5,006,000 underlying shares of HHI warrants held by Sir Gordon WU through corporations.
- (x) The corporate interests in 6,118,999 underlying shares of HHI warrants were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (xi) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

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

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

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

Save as aforesaid, as at 31st December, 2005, none of the Directors or chief executives had any other interests or short positions in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (continued)

Share Options of the Company

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

(A) 1994 Share Option Scheme

The 1994 Share Option Scheme was terminated on 1st November, 2003 and no further options was granted under the 1994 Share Option Scheme. As at 31st December, 2005, there was no outstanding share option under the 1994 Share Option Scheme.

(B) 2003 Share Option Scheme

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

(2) Details of the movement of share options under the 2003 Share Option Scheme during the period ended 31st December, 2005 were as follows:-

Directors	Date of grant	Exercise Price HK\$	Balance of outstanding options at 01/07/2005	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Balance of outstanding options at 31/12/2005	Exercise period	Closing price before date of grant falling within the period HK\$
Albert Kam Yin YEUNG	08/09/2004	17.10	950,000	-	-	-	950,000	08/09/2004-07/09/2007	N/A
Andy Lee Ming CHEUNG	08/09/2004	17.10	500,000	-	-	-	500,000	08/09/2004-07/09/2007	N/A
Eddie Wing Chuen HO Junior	08/09/2004	17.10	495,000	-	495,000	-	-	08/09/2004-07/09/2007	N/A
Barry Chung Tat MOK	02/09/2005	19.94	-	2,500,000	-	-	2,500,000	02/03/2006-01/03/2009	20.05
Total			1,945,000	2,500,000	495,000	-	3,950,000		

The weighted average closing price of the shares on the date immediately before the date on which the options were exercised during the period was HK\$19.85.

The options granted on 8th September, 2004 are exercisable from the date of grant while the options granted on 2nd September, 2005 are exercisable in the following manner:-

Maximum options exercisable	Exercisable period
50% of options granted	from the expiry of 6 months from the date of grant up to 18 months thereof (i.e. 2nd March, 2006 to 1st March, 2007)
all remaining options including those not previously exercised	from the expiry of 18 months from the date of grant up to 42 months thereof (i.e. 2nd March, 2007 to 1st March, 2009)

The fair value of the share options granted during the period with the exercise price per share of HK\$19.94 is estimated at HK\$2.73 at the date of grant using the Binomial

Other Information (continued)

option pricing model. The value is estimated based on the share price of HK\$19.6 at the grant date, the historical volatility of share price of the Company of 23.3% which is based on statistical analysis of daily share prices over one year immediately preceding the grant date, expected life of options of 3.4 years, expected dividend yield of 4.1% and the risk free rate of 3.66% per annum with reference to the rate on the 3-year and 4-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded option. 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 Binomial option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Share Options of HHI

- (a) The share option scheme of HHI was approved by the written resolutions of the then sole shareholder of HHI passed on 16th July, 2003 and approved by shareholders of the Company at an extraordinary general meeting held on 16th July, 2003 (the “HHI Option Scheme”). The HHI Option Scheme will expire on 15th July, 2013.
- (b) There was no movement in the share options of HHI under the HHI Option Scheme during the period ended 31st December, 2005 and as at 31st December, 2005, the outstanding share options of HHI were as follows:

	Date of grant	Exercise Price HK\$	Balance of outstanding options at 01/07/2005	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Balance of outstanding options at 31/12/2005	Exercise period	Closing price before date of grant falling within the period HK\$
Director of HHI Leo Kwok Kee LEUNG	08/09/2004	4.875	2,000,000	-	-	-	2,000,000	08/09/2004 -07/09/2007	N/A
Employee of HHI	08/09/2004	4.875	400,000	-	-	-	400,000	08/09/2004 -07/09/2007	N/A
Total			2,400,000	-	-	-	2,400,000		

All options granted are exercisable from the date of grant.

Other Information (continued)

Substantial Shareholder

Save as disclosed under the section headed “Directors’ Interests in Shares, Underlying Shares and Debentures” as at 31st December, 2005, the Company had not been notified of any other interest or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under section 336 of the SFO.

Purchase, Sale or Redemption of Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries of securities of the Company during the six months ended 31st December, 2005.

Employees and Remuneration Policies

As at 31st December, 2005, there were approximately 1,170 employees in the Group. The Group aims to offer competitive remuneration packages that are regularly monitored in relation to the market. On-going staff development programs are provided within the Group to encourage continuous learning and improvements at work.

Corporate Governance

During the period under review, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices (“CG-Code”) contained in Appendix 14 of the Listing Rules. Amendments to the articles of association of the Company to reflect the requirements under code provision A.4.2 on the retirement of all directors by rotation at least once every three years were approved by shareholders at the annual general meeting held on 19th October, 2005.

Model Code for Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“the Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all Directors who confirmed compliance with the required standard set out in the Code for the period under review.

Written guidelines on no less exacting terms than the Code relating to securities transaction for the relevant employees were adopted by the Company with effect from 1st July, 2005.

Audit Committee

The terms of reference of the Audit Committee were revised in accordance with the provisions set out in the CG-Code on 1st July, 2005. The Company’s interim report for the six months ended 31st December, 2005 has been reviewed by the Audit Committee.

Other Information (continued)

Remuneration Committee

The Company established a Remuneration Committee on 1st July, 2005 with written terms of reference in compliance with the CG-Code. The Committee comprises three members with the majority being Independent Non-Executive Directors. During the six months ended 31st December, 2005, the Committee has determined the remuneration package of a newly appointed Executive Director and also reviewed the Directors' fees for the year ending 30th June, 2006.

Disclosure under Chapter 13 of the Listing Rules

The Sino-foreign co-operative joint venture enterprises jointly controlled by the HHI Group and the PRC joint venture partners which operate toll expressways and infrastructure projects, following the listing of HHI on the Stock Exchange in 2003, have been deemed as subsidiaries of the Company for the purpose of the disclosure requirements under Chapter 13 of the Listing Rules. Accordingly, information on advances and financial assistance to such joint venture enterprises is no longer required under Rules 13.13, 13.16, 13.20 and 13.22 of the Listing Rules to be specifically disclosed in the interim report.

Honorary Chairman

The Board expresses deepest sorrow for the passing away of Dr. James Man Hon WU, former Chairman and currently Honorary Chairman of the Company, on 23rd February, 2006 and wishes to acknowledge Dr. WU's invaluable contributions to the Group in the past years.

Change of Director

Mr. Colin Henry WEIR resigned as Executive Director of the Company effective from December 2005 but remains as a consultant to a subsidiary of the Company. The Board thanks Mr. WEIR for his valuable contributions to the Group in the past 15 years.

By order of the Board

Sir Gordon Ying Sheung WU *GBS, KCMG, FICE*
Chairman

Hong Kong, 27th February, 2006

Corporate Information and Key Dates

Board of Directors

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Mr. Eddie Ping Chang HO*
Vice Chairman & Managing Director

Mr. Josiah Chin Lai KWOK
Deputy Managing Director

Mr. Thomas Jefferson WU
Deputy Managing Director

Mr. Henry Hin Moh LEE#

Mr. Robert Van Jin NIEN

Mr. Guy Man Guy WU##

Lady Ivy Sau Ping KWOK WU JP#

Ms. Linda Lai Chuen LOKE##

Mr. Albert Kam Yin YEUNG

Mr. David Yau-gay LUI

Mr. Carmelo Ka Sze LEE#

Mr. Andy Lee Ming CHEUNG

Mr. Eddie Wing Chuen HO Junior

Mr. Lee Yick NAM##

Mr. Barry Chung Tat MOK

* *Also as Alternate director to Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU*

Non-Executive directors

Independent Non-Executive directors

Audit Committee

Mr. Lee Yick NAM *Chairman*

Ms. Linda Lai Chuen LOKE

Mr. Guy Man Guy WU

Remuneration Committee

Mr. Eddie Ping Chang HO *Chairman*

Mr. Lee Yick NAM

Ms. Linda Lai Chuen LOKE

Company Secretary

Mr. Peter Yip Wah LEE

Registered Office

64th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Tel : (852) 2528 4975
Fax : (852) 2861 2068

Solicitors

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

Key Dates

Interim results announcement
Close of Register

Interim dividend payable
(HK36 cents per ordinary share)

Principal Bankers⁺

Bank of China

Bank of China (Hong Kong) Limited

Bank of Communications Co., Limited

Bank of East Asia, Limited

The Bank of Tokyo-Mitsubishi UFJ, Limited

BNP Paribas

Calyon

China Construction Bank Corporation

Chiyu Banking Corporation Limited

Citibank, N.A.

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Hua Nan Commercial Bank, Limited

Industrial and Commercial Bank of China

Industrial and Commercial Bank of China (Asia) Limited

Liu Chong Hing Bank Limited

Mizuho Corporate Bank, Limited

Nanyang Commercial Bank, Limited

Shanghai Commercial Bank Limited

Shenzhen Development Bank

Sumitomo Mitsui Banking Corporation

Tai Fung Bank Limited

Wing Lung Bank Limited

⁺ *names arranged in alphabetical order*

Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Tel : (852) 2862 8628
Fax : (852) 2529 6087

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (Stock Code : 54)

American Depositary Receipt

CUSIP No.	439555301
Trading Symbol	HOWWY
ADR to share ratio	1:1
Depository Bank	Citibank, N.A., U.S.A.

Investor Relations

Investor Relations Manager
Tel : (852) 2862 5683
Fax : (852) 2861 2068
Email : ir@hopewellholdings.com

Web Page

www.hopewellholdings.com

(as at 27th February, 2006)

Independent Review Report



TO THE BOARD OF DIRECTORS OF HOPEWELL HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 23 to 44.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st December, 2005.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27th February, 2006

Condensed Consolidated Income Statement

For the six months ended 31st December, 2005

	Notes	Six months ended	
		31.12.2004 HK\$'000 (unaudited and restated)	31.12.2005 HK\$'000 (unaudited)
Turnover	4	349,060	396,043
Cost of sales and services		(184,024)	(190,376)
		165,036	205,667
Other operating income	5	50,046	107,903
Selling and distribution costs		(11,399)	(16,520)
Administrative expenses		(78,658)	(79,297)
Other operating expenses	6	(65,141)	(74,436)
		59,884	143,317
Gain arising from changes in fair value of investment properties		—	168,162
Gain on disposal of a subsidiary	7	—	265,387
Gain on disposal of a power station project	8	404,450	44,818
Reversal of impairment loss on an amount due from a former jointly controlled entity	9	—	163,200
Gain on disposal of interests in jointly controlled entities	9	495,633	—
Finance costs	10	(53,583)	(30,676)
Share of profits (losses) of Jointly controlled entities		565,178	555,641
Associates		1,851	(381)
Profit before taxation		1,473,413	1,309,468
Income tax expense	11	(12,530)	(29,510)
Profit for the period		1,460,883	1,279,958
Attributable to:			
Equity holders of the Company		1,261,777	1,117,544
Minority interests		199,106	162,414
		1,460,883	1,279,958
Dividends	12	377,489	323,635
Earnings per share	13	HK\$	HK\$
Basic		1.41	1.24
Diluted		1.41	1.24

Condensed Consolidated Balance Sheet

At 31st December, 2005

		30.6.2005 HK\$'000 (audited and restated)	31.12.2005 HK\$'000 (unaudited)
	Notes		
ASSETS			
Non-current Assets			
Investment properties	14	6,116,284	6,310,479
Property, plant and equipment	14	440,627	448,711
Prepaid land lease payments	14	790,970	829,947
Properties for or under development		201,395	211,309
Interests in jointly controlled entities		7,725,147	8,367,767
Interests in associates		10,143	9,154
Other investment project	23(c)	—	68,344
Investments in securities	15	22,114	—
Available-for-sale investments	16	—	76,608
Long-term receivables		17,550	9,842
Pledged deposits		94,263	—
		15,418,493	16,332,161
Current Assets			
Inventories		9,333	11,564
Properties for sale		359,730	466,745
Prepaid land lease payments	14	6,874	8,081
Investments in securities - current portion	15	737,591	—
Trade and other receivables	17	522,057	167,383
Deposits and prepayments		34,655	67,298
Loan to a jointly controlled entity		10,870	28,275
Bank balances and cash		2,551,430	3,150,613
		4,232,540	3,899,959
Total Assets		19,651,033	20,232,120

Condensed Consolidated Balance Sheet (continued)

At 31st December, 2005

		30.6.2005 HK\$'000 (audited and restated)	31.12.2005 HK\$'000 (unaudited)
	Notes		
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	18	2,244,925	2,246,163
Share premium and reserves		13,221,087	14,125,006
Equity attributable to equity holders of the Company		15,466,012	16,371,169
Minority interests		2,468,602	2,556,199
Total Equity		17,934,614	18,927,368
Non-current Liabilities			
Bank borrowings	19	55,000	55,000
Amounts due to associates		12,038	12,447
Warranty provisions		164,059	164,059
Deferred tax liabilities		580,491	618,513
		811,588	850,019
Current Liabilities			
Trade and other payables	20	759,622	280,135
Rental and other deposits		95,258	125,424
Amount due to a minority shareholder		—	8,531
Tax liabilities		49,951	40,643
		904,831	454,733
Total Liabilities		1,716,419	1,304,752
Total Equity and Liabilities		19,651,033	20,232,120

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st December, 2005

	Attributable to equity holders of the Company													
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Investment property revaluation reserve	Exchange equalisation reserve	PRC statutory reserves	Investment revaluation reserves	Share option reserves	Dividend reserve	Retained profits	Total	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1st July, 2004														
As originally stated	2,210,205	8,558,817	—	83,010	2,131,845	(5,682)	57,421	—	—	268,631	1,561,260	14,865,507	2,418,947	17,284,454
Effect of changes in accounting policies (note 3)	—	—	—	—	(2,131,845)	—	—	—	—	—	1,365,292	(766,553)	—	(766,553)
As restated	2,210,205	8,558,817	—	83,010	—	(5,682)	57,421	—	—	268,631	2,926,552	14,098,954	2,418,947	16,517,901
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	—	—	—	—	—	(5,313)	—	—	—	—	—	(5,313)	(146)	(5,459)
Net expense recognised directly in equity	—	—	—	—	—	(5,313)	—	—	—	—	—	(5,313)	(146)	(5,459)
Profit for the period	—	—	—	—	—	—	—	—	—	—	1,261,777	1,261,777	199,106	1,460,883
Total recognised (expense) income for the period	—	—	—	—	—	(5,313)	—	—	—	—	1,261,777	1,256,464	198,960	1,455,424
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	16,588	16,588
Issue of shares	37,125	88,520	—	—	—	—	—	—	—	—	—	125,645	—	125,645
Share issue expenses	—	(50)	—	—	—	—	—	—	—	—	—	(50)	—	(50)
Realised on disposal of interest in jointly controlled entities	—	—	—	—	—	2,839	—	—	—	—	—	2,839	—	2,839
Transfers between reserves	—	—	—	—	—	—	6,321	—	—	—	(6,321)	—	—	—
Amounts set aside for payment of dividends	—	—	—	—	—	—	—	—	—	377,489	(377,489)	—	—	—
Final dividend for year ended 30th June, 2004 paid	—	—	—	—	—	—	—	—	—	(268,931)	—	(268,931)	(226,628)	(495,559)
At 31st December, 2004	2,247,330	8,647,287	—	83,010	—	(8,156)	63,742	—	—	377,189	3,804,519	15,214,921	2,407,867	17,622,788
At 30th June, 2005														
As originally stated	2,244,925	8,648,818	2,668	83,010	2,454,573	(7,314)	63,742	—	—	341,229	2,478,720	16,310,371	2,468,602	18,778,973
Effect of changes in accounting policies (note 3)	—	—	—	—	(2,454,573)	—	—	—	—	—	1,610,214	(844,359)	—	(844,359)
As restated	2,244,925	8,648,818	2,668	83,010	—	(7,314)	63,742	—	—	341,229	4,088,934	15,466,012	2,468,602	17,934,614
Effect of changes in accounting policies (note 3)	—	—	—	—	—	—	—	—	—	—	61,617	61,617	20,788	82,405
At 1st July, 2005	2,244,925	8,648,818	2,668	83,010	—	(7,314)	63,742	—	—	341,229	4,150,551	15,527,629	2,489,390	18,017,019
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	—	—	—	—	—	48,978	—	—	—	—	—	48,978	13,345	62,323
Gain arising from changes in fair value of available-for-sale investments	—	—	—	—	—	—	—	6,942	—	—	—	6,942	—	6,942
Net income recognised directly in equity	—	—	—	—	—	48,978	—	6,942	—	—	—	55,920	13,345	69,265
Profit for the period	—	—	—	—	—	—	—	—	—	—	1,117,544	1,117,544	162,414	1,279,958
Total recognised income for the period	—	—	—	—	—	48,978	—	6,942	—	—	1,117,544	1,173,464	175,759	1,349,223
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	1,567	1,567
Issue of shares	1,238	7,227	—	—	—	—	—	—	—	—	—	8,465	—	8,465
Share issue expenses	—	(7)	—	—	—	—	—	—	—	—	—	(7)	—	(7)
Transfers between reserves	—	—	—	—	—	—	7,213	—	—	—	(7,213)	—	—	—
Recognition of equity settled share based payments	—	—	—	—	—	—	—	—	3,035	—	—	3,035	—	3,035
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	(992)	(992)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(1,092)	(1,092)
Amounts set aside for payment of dividends	—	—	—	—	—	—	—	—	—	323,635	(323,635)	—	—	—
Final dividend for year ended 30th June, 2005 paid	—	—	—	—	—	—	—	—	—	(341,417)	—	(341,417)	(108,433)	(449,850)
At 31st December, 2005	2,246,163	8,656,038	2,668	83,010	—	41,664	70,955	6,942	3,035	323,447	4,937,247	16,371,169	2,556,199	18,927,368

Condensed Consolidated Cash Flow Statement

For the six months ended 31st December, 2005

	<i>Six months ended</i>	
	31.12.2004 <i>(unaudited)</i> HK\$'000	31.12.2005 <i>(unaudited)</i> HK\$'000
Operating activities		
Cash generated from operations before tax payments	54,133	61,709
Net taxes paid	(89,429)	(5,366)
Net cash (used in) from operating activities	(35,296)	56,343
Investing activities		
Dividend received	366,007	323,623
Proceeds on redemption of held-to-maturity debt securities	1,089,446	733,677
Acquisition of held-to-maturity debt securities	(301,119)	—
Net proceeds received on disposal of		
Power station project	629,117	44,818
Interests in jointly controlled entities	518,376	—
Repayment of loan by a jointly controlled entity	502,718	163,200
Decrease in defeasance deposits	1,587,990	—
Other investing cashflows	72,551	(239,151)
Net cash from investing activities	4,465,086	1,026,167
Financing activities		
Dividend paid to		
Shareholders	(268,931)	(341,417)
Minority shareholders of subsidiaries	(226,628)	(108,433)
Repayment of bank and other loans	(133,555)	—
Redemption of notes	(1,474,201)	—
Other financing cashflows	120,788	(35,607)
Net cash used in financing activities	(1,982,527)	(485,457)
Net increase in cash and cash equivalents	2,447,263	597,053
Cash and cash equivalents at beginning of the period	1,029,933	2,551,430
Effect of foreign exchange rate changes	(3,582)	2,130
Cash and cash equivalents at end of the period	3,473,614	3,150,613
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	3,473,614	3,150,613

Notes to the Condensed Financial Statements

For the six months ended 31st December, 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Hong Kong Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30th June, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities and associates has been changed in accordance with HKAS 1 “Presentation of Financial Statements”. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Hotel property

Hong Kong Interpretation 2 “The Appropriate Accounting Policies for Hotel Properties” (“HK-Int 2”) clarifies the accounting policy for owner-operated hotel properties. In previous periods, the Group’s self-operated hotel property was carried at cost and was not subject to depreciation. HK-Int 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16 “Property, Plant and Equipment”, and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for its hotel property using the cost model. In the absence of any specific transitional provisions in HK-Int 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of owner-occupied land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

In previous periods, investment properties under Statement of Standard Accounting Practice 13 (“SSAP 13”) were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, the Group has, for the first time, applied HKAS 40 “Investment property” and has elected to apply this standard retrospectively. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. Comparative figures have been restated.

The adoption of HKAS 40 has also resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous periods, property with 15% or less by area or value that was occupied by the Group would normally be regarded as an investment property as a whole though part of it is not held for investment purposes. According to HKAS 40, if a portion of the properties could be sold separately, an entity accounts for the portions separately. In the current year, the Group applied HKAS 40 and has reclassified certain owner-occupied properties from investment properties to property, plant and equipment and prepaid land lease payments retrospectively. Comparative figures have been restated.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” (“HKAS-Int 21”) which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS-Int 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial instruments: Disclosure and Presentation” and HKAS 39 “Financial instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the Group’s financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30th June, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any) under SSAP 24. From 1st July, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair value recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

On 1st July, 2005, the Group classified and measured its debt and equity securities with an aggregate carrying amount of HK\$759,705,000 at that date in accordance with the transitional provisions of HKAS 39. The application of HKAS 39 in this respect has had no impact to the Group’s retained profits at 1st July, 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1st July, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method.

Prior to the application of HKAS 39, interest-free loans were stated at their nominal value. HKAS 39 requires that all financial assets and financial liabilities to be measured at fair value on initial recognition. Interest-free loans are measured at amortised cost using the effective interest method at subsequent balance sheet dates. The Group’s retained profits as at 1st July, 2005 have been increased by approximately HK\$61,617,000. Profit for the six months ended 31st December, 2005 has been decreased by approximately HK\$1,206,000.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments

In the current period, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st July, 2005. In relation to share options granted before 1st July, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st July, 2005 in accordance with the relevant transitional provisions. Accordingly, the adoption of HKFRS 2 has not resulted in an impact to the results of the Group for the prior accounting period.

A summary of the effects of the aforementioned changes in accounting policies is set out in note 3.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new HKFRSs but is not yet in a position to determine the effects of these new HKFRSs on the results of operations and financial position of the Group. These new HKFRSs may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 21 (Amendment)	Net investment in a foreign operation ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment ³
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

1 Effective for annual periods beginning on or after 1st January, 2007.

2 Effective for annual periods beginning on or after 1st January, 2006.

3 Effective for annual periods beginning on or after 1st December, 2005.

4 Effective for annual periods beginning on or after 1st March, 2006.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above on the results for the current and prior period are as follows:

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation of		
- hotel property	(4,636)	(4,636)
- property, plant and equipment reclassified from investment properties	(2,189)	(2,273)
Decrease in deferred taxes relating to depreciation and amortisation of hotel property and property, plant and equipment reclassified from investment properties	867	867
Gains (losses) arising from changes in fair value of investment properties of		
- the Group	—	168,162
- an associate	—	(1,895)
Increase in deferred taxes relating to investment properties	—	(29,428)
Expenses in relation to share option granted to employees	—	(3,035)
Increase in interest income relating to interest-free loan to a jointly controlled entity	—	21,131
Decrease in share of profits of jointly controlled entities relating to their financial liabilities	—	(22,337)
Share of tax of jointly controlled entities and associates reclassified from (to):		
- share of profits of jointly controlled entities	(24,969)	(58,582)
- share of profits of associates	(384)	(313)
- income tax expense	25,353	58,895
(Decrease) increase in profit for the period	(5,958)	126,556

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Analysis of (decrease) increase in profit for the period by line items presented according to their function:

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in turnover	—	21,131
Increase in cost of sales and services	(6,825)	(6,909)
Increase in administrative expenses	—	(3,035)
Increase in gain arising from changes in fair value of investment properties	—	168,162
Decrease in share of profits of		
- jointly controlled entities	(24,969)	(80,919)
- associates	(384)	(2,208)
Decrease in income tax expense	26,220	30,334
(Decrease) increase in profit for the period	(5,958)	126,556

The cumulative effects of the application of the new HKFRSs as at 30th June, 2005 and 1st July, 2005 are summarised below:

	<i>As at</i>	<i>Effects of adoption of</i>					<i>As at</i>	<i>Effects of</i>	<i>As at</i>
	<i>30th June, 2005</i>	<i>HK-Int 2</i>	<i>HKAS 1</i>	<i>HKAS 17</i>	<i>HKAS 40</i>	<i>HKAS-Int 21</i>	<i>30th June, 2005</i>	<i>adoption of</i>	<i>1st July, 2005</i>
	<i>(originally stated)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(restated)</i>	<i>HKAS 32 & 39</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance sheet items									
Investment properties	6,477,300	—	—	—	(361,016)	—	6,116,284	—	6,116,284
Property, plant and equipment	538,378	(103,472)	—	(105,328)	111,049	—	440,627	—	440,627
Prepaid land lease payments	—	(26,332)	—	769,067	55,109	—	797,844	—	797,844
Properties for or under development	1,125,532	—	(260,398)	(663,739)	—	—	201,395	—	201,395
Interests in jointly controlled entities	7,725,147	—	—	—	—	—	7,725,147	82,405	7,807,552
Interests in associates	14,164	—	—	—	—	(4,021)	10,143	—	10,143
Properties for sale	99,332	—	260,398	—	—	—	359,730	—	359,730
Investments in securities	759,705	—	—	—	—	—	759,705	(759,705)	—
Held-to-maturity investments	—	—	—	—	—	—	—	737,591	737,591
Available-for-sale investments	—	—	—	—	—	—	—	22,114	22,114
Deferred tax liabilities	(64,815)	22,716	—	—	889	(539,281)	(580,491)	—	(580,491)
Total effects on assets and liabilities		(107,088)	—	—	(193,969)	(543,302)		82,405	
Retained profits	2,478,720	(107,088)	—	—	2,260,604	(543,302)	4,088,934	61,617	4,150,551
Investment property revaluation reserve	2,454,573	—	—	—	(2,454,573)	—	—	—	—
Minority interests	2,468,602	—	—	—	—	—	2,468,602	20,788	2,489,390
Total effect on equity		(107,088)	—	—	(193,969)	(543,302)		82,405	

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The financial effects of the application of the new HKFRSs to the Group's equity at 30th June, 2004 and 1st July, 2004 are summarised below:

	<i>As at</i>	<i>Effects of adoption of</i>			<i>As at</i>
	<i>30th June, 2004</i>	<i>HK-Int 2</i>	<i>HKAS 40</i>	<i>HKAS-Int 21</i>	<i>30th June,</i>
	<i>(originally</i>				<i>2004 and</i>
	<i>stated)</i>				<i>1st July, 2004</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(restated)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retained profits	1,561,260	(99,439)	1,959,749	(495,018)	2,926,552
Investment property revaluation reserve	2,131,845	—	(2,131,845)	—	—
Total effect on equity		(99,439)	(172,096)	(495,018)	

4. TURNOVER AND SEGMENTS

Business Segments

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

Infrastructure project investments	-	investments in expressway projects
Property investment	-	property letting, agency and management
Property development	-	development of properties
Hotel investment	-	hotel ownership and management
Restaurants and catering	-	restaurant operations and food catering

Segment information about these businesses is presented below.

Segment turnover

	<i>Six months ended 31.12.2004</i>			<i>Six months ended 31.12.2005</i>		
	<i>Inter-</i>		<i>Turnover</i>	<i>Inter-</i>		<i>Turnover</i>
	<i>External</i>	<i>segment</i>		<i>External</i>	<i>segment</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Infrastructure project investments	25,974	—	25,974	56,055	—	56,055
Property investment	150,090	11,073	161,163	159,536	11,561	171,097
Hotel investment	93,261	87	93,348	97,493	54	97,547
Restaurants and catering	74,862	249	75,111	82,385	—	82,385
Other operations	4,873	135	5,008	574	—	574
Eliminations	—	(11,544)	(11,544)	—	(11,615)	(11,615)
Total turnover	349,060	—	349,060	396,043	—	396,043

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

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

4. TURNOVER AND SEGMENTS (CONTINUED)

Business Segments (continued)

Segment results

	Profit (loss) for the six months ended 31.12.2004				Profit (loss) for the six months ended 31.12.2005			
	Company and subsidiaries	Jointly controlled entities	Associates	Total	Company and subsidiaries	Jointly controlled entities	Associates	Total
	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Infrastructure project investments	(41,656)	488,820	—	447,164	(18,000)	557,635	—	539,635
Property investment								
- Operations	88,493	—	1,300	89,793	92,433	—	(775)	91,658
- Gain arising from changes in fair value of investment properties	—	—	—	—	168,162	—	—	168,162
Property development	(4,130)	76,358	—	72,228	(10,832)	(1,994)	—	(12,826)
Hotel investment	27,215	—	—	27,215	31,101	—	—	31,101
Restaurants and catering	3,602	—	—	3,602	7,277	—	—	7,277
Other operations	(5,816)	—	551	(5,265)	6,434	—	394	6,828
Segment results	67,708	565,178	1,851	634,737	276,575	555,641	(381)	831,835

	Six months ended	
	31.12.2004	31.12.2005
	HK\$'000	HK\$'000
	(restated)	
Segment results		
Company and subsidiaries	67,708	276,575
Interest and other income	44,799	73,998
Exchange (losses) gains	(12,800)	15,977
Unallocated corporate expenses	(39,823)	(55,071)
	59,884	311,479
Gain on disposal of a subsidiary	—	265,387
Gain on disposal of a power station project	404,450	44,818
Reversal of impairment loss on an amount due from a former jointly controlled entity	—	163,200
Gain on disposal of interests in jointly controlled entities	495,633	—
Finance costs	(53,583)	(30,676)
Share of profits (losses) of		
Jointly controlled entities	565,178	555,641
Associates	1,851	(381)
Profit before taxation	1,473,413	1,309,468

The share of profits (losses) of jointly controlled entities and associates shown above includes share of tax of jointly controlled entities and associates of approximately HK\$58,582,000 (six months ended 31.12.2004: HK\$24,969,000) and HK\$313,000 (six months ended 31.12.2004: HK\$384,000) respectively.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

4. TURNOVER AND SEGMENTS (CONTINUED)

Geographical Segments

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

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	320,816	338,337
Mainland China (the "PRC")	28,244	57,706
	349,060	396,043

5. OTHER OPERATING INCOME

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(restated)</i>	
Other operating income includes:		
Interest on bank deposits and loans receivable	28,183	65,319
Yield on held-to-maturity debt securities, after deducting premium on acquisition of HK\$3,914,000 (six months ended 31.12.2004: HK\$28,846,000) amortised	16,379	3,822
Exchange gain	—	15,977

6. OTHER OPERATING EXPENSES

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other operating expenses include:		
Amortisation of cost of investments in jointly controlled entities	48,590	55,509
Exchange losses	12,800	—

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

7. GAIN ON DISPOSAL OF A SUBSIDIARY

During the period, the Company entered into an agreement for the disposal of the Company's entire interest in and the Group's advances to a subsidiary, Hopewell Thailand Limited ("HTL"), whose primary business is the undertaking of the rail and road transport system project in Bangkok (the "BERTS Project"). The consideration for the disposal amounted to Thai Baht 500 million plus a sum equivalent to 20% of the excess over Thai Baht 2 billion if the total amount recoverable by HTL relating to its claims in connection with the BERTS Project exceeds Thai Baht 2 billion as specified in the agreement. However, the timing and ultimate receipt of the consideration could be materially affected by the occurrence of certain events relating to the successful recovery by HTL of its claims regarding the BERTS Project, which are uncertain. Accordingly, the consideration will only be recognised by the Group when payments are received. The gain on disposal of HTL amounting to approximately HK\$265 million recognised in the income statement for the current period represents the net liabilities of HTL discharged by the Group on disposal.

8. GAIN ON DISPOSAL OF A POWER STATION PROJECT

The amount represents the gain on disposal of the Tanjung Jati B Power Station in Indonesia recognised during the period. The power station was disposed of in 2003 for a cash consideration of US\$306.2 million which is payable by instalments over a period of 39 months from July 2003. Instalments totalling US\$285.6 million have so far been received and recognised as income by the Group of which US\$5.9 million was recognised during the current period. However, the timing and ultimate receipt of the remaining instalments of US\$20.6 million could be materially affected by the occurrence of certain events stipulated in the loan agreements and the finance lease agreements entered into by the purchasers, including, inter alia, force majeure events which would have a material adverse effect on the construction of the plant resulting in the cancellation by the lenders of the project loan facilities granted to the purchasers. Accordingly, the outstanding instalments will only be recognised by the Group when payments are received.

9. REVERSAL OF IMPAIRMENT LOSS ON AN AMOUNT DUE FROM A FORMER JOINTLY CONTROLLED ENTITY/GAIN ON DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES

In the prior period, the Group disposed of its interests in the jointly controlled entities undertaking the highway and bridge project and the National Highway 105 project in Shunde, the PRC, which gave rise to a gain on disposal of approximately HK\$496 million recognised by the Group. In determining the gain on disposal, the outstanding amount due from one of the jointly controlled entities of approximately HK\$244 million was regarded as impaired. During the current period, such outstanding amount to the extent of approximately HK\$163 million was repaid by the jointly controlled entity to the Group and has been recognised in the income statement of the current period. The remaining outstanding amount due from this entity of approximately HK\$81 million, which is unsecured and carries interest at bank lending rate, is repayable on 31st December, 2007. However, the recoverability of the outstanding unsecured amount is dependent upon the financial position of the underlying entities which is uncertain, the remaining outstanding amount is still regarded as impaired.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

10. FINANCE COSTS

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on		
Bank loans and overdrafts wholly repayable		
within five years	5,565	4,327
Notes wholly payable within five years	18,198	—
Other loans wholly repayable within five years	18,673	19,864
	42,436	24,191
Other finance costs		
Loan arrangement fees and related charges	10,791	6,485
Note issue expenses amortised	356	—
	11,147	6,485
	53,583	30,676

11. INCOME TAX EXPENSE

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(restated)</i>	
Current tax		
Hong Kong	6,585	8,493
Elsewhere	5,839	729
	12,424	9,222
Overprovision in prior years		
Hong Kong	(2,652)	(1,306)
Elsewhere	(1,172)	(16,428)
	(3,824)	(17,734)
Deferred tax	3,930	38,022
Taxes attributable to the Company and subsidiaries	12,530	29,510

Hong Kong Profits Tax is calculated at the rate of 17.5% (six months ended 31.12.2004: 17.5%) on the estimated assessable profits for the period. Taxes on profits assessable elsewhere are calculated at rates prevailing in the countries in which the Group operates.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

12. DIVIDENDS

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared		
HK36 cents (year ended 30.6.2005: HK12 cents) per share	107,768	323,447
Special interim dividend declared		
Nil (year ended 30.6.2005: HK30 cents) per share	269,421	—
Additional prior period's final dividend paid on shares issued subsequent to approval of financial statements	300	188
	377,489	323,635

A final dividend of HK38 cents per share for the financial year ended 30th June, 2005 was paid to shareholders in October 2005.

The directors have declared that an interim dividend in respect of the financial year ending 30th June, 2006 of HK36 cents (year ended 30.6.2005: HK12 cents) per share shall be paid to the shareholders of the Company whose names appear on the Register of Members on 22nd March, 2006.

13. EARNINGS PER SHARE

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(restated)</i>	
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share		
Profit for the period attributable to equity holders of the Company	1,261,777	1,117,544
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	(2,172)	(2,458)
Earnings for the purposes of diluted earnings per share	1,259,605	1,115,086
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	893,665,219	898,228,382
Effect of dilutive potential ordinary shares:		
Share options	2,469,416	225,797
Weighted average number of ordinary shares for the purposes of diluted earnings per share	896,134,635	898,454,179

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

14. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

The fair value of the Group's investment properties at 31st December, 2005 has been arrived at on the basis of open market value as valued by Savills (Hong Kong) Limited, an independent firm of professional property valuers not connected to the Group.

Depreciation of property, plant and equipment and amortisation of prepaid land lease payments charged to the income statement are as follows:

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of prepaid land lease payments	3,437	4,041
Less: Amortisation capitalised on properties under development	(1,824)	(2,428)
	1,613	1,613
Depreciation of property, plant and equipment	13,566	11,786

15. INVESTMENTS IN SECURITIES

	<i>30.6.2005</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Held-to-maturity debt securities (Note)	737,591	—
Unlisted equity securities	22,114	—
	759,705	—
Carrying amount analysed for reporting purposes:		
Non-current	22,114	—
Current	737,591	—
	759,705	—

Note:

During the period, held-to-maturity debt securities with an aggregate nominal value of approximately HK\$738 million was redeemed upon maturity.

16. AVAILABLE-FOR-SALE INVESTMENT

	<i>30.6.2005</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong	—	57,447
Unlisted equity securities	—	19,161
	—	76,608

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

17. 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 outstanding at the balance sheet date:

	<i>30.6.2005</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Receivables aged		
0 - 30 days	16,301	23,001
31 - 60 days	4,353	7,228
Over 60 days	5,889	5,980
Interest on bank and other deposits receivable	19,598	1,841
Proceeds on disposal of investments and property, plant and equipment receivable	152,586	129,019
Retentions receivable	314	314
Dividend from a jointly controlled entity receivable	323,016	—
	522,057	167,383

18. SHARE CAPITAL

	<i>Number of shares</i>		<i>Nominal value</i>	
	<i>30.6.2005</i>	<i>31.12.2005</i>	<i>30.6.2005</i>	<i>31.12.2005</i>
	<i>'000</i>	<i>'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$2.50 each				
Authorised	1,200,000	1,200,000	3,000,000	3,000,000
Issued and fully paid	897,970	898,465	2,244,925	2,246,163

Share Options

(a) The Company

During the period, the Company granted options to certain directors to subscribe for a total of 2,500,000 ordinary shares in the Company at the subscription price of HK\$19.94 per share.

During the period, the Company issued 495,000 ordinary shares of HK\$17.1 each for a total cash consideration of HK\$8,464,500 pursuant to the exercise of the options previously granted.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

18. SHARE CAPITAL (CONTINUED)

Share Options (continued)

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

No share option regarding HHI was granted or exercised during the period.

HHI Warrants

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

During the period, 374,919 HHI warrants, carrying an aggregate subscription price of HK\$1,567,161, were exercised by the warrant holders resulting in the issuance of 374,919 ordinary shares in HHI. A total of 81,175,956 HHI warrants remained outstanding at the balance sheet date.

19. BANK BORROWINGS

	<i>30.6.2005</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured bank loans repayable between two and five years	55,000	55,000

20. TRADE AND OTHER PAYABLES

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

	<i>30.6.2005</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Payables due		
0 - 30 days	246,308	119,251
31 - 60 days	3,348	9,027
Over 60 days	148,215	150,831
Retentions payable	1,943	1,026
Development expenditure payable (Note)	359,808	—
	759,622	280,135

Note:

The development expenditure payable at 30th June, 2005 represents construction and plant costs incurred by the Group in connection with the its overseas infrastructure project, the development of which has been suspended. Such development expenditure payable has been discharged following the disposal of the subsidiary undertaking the infrastructure project during the period.

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

21. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31st December, 2005 amounted to approximately HK\$19,777 million (30.6.2005: HK\$18,746 million).

The net current assets of the Group at 31st December, 2005 amounted to approximately HK\$3,445 million (30.6.2005: HK\$3,328 million).

22. DISPOSAL OF SUBSIDIARIES

	<i>Six months ended</i>	
	<i>31.12.2004</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	—	437
Pledged deposits	—	94,263
Trade and other receivables	—	1,127
Deposits and prepayments	—	431
Trade and other payables	—	(360,553)
	—	(264,295)
Minority interests released	—	(1,092)
Gain on disposal of subsidiaries	—	265,387
	—	—

The subsidiaries disposed of during the period did not contribute significantly to the Group's cash flows, turnover or profit before taxation for the period.

23. PROJECT COMMITMENTS

(a) Property development

	<i>30.6.2005</i>	<i>31.12.2005</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Projects undertaken by the Group		
Authorised but not yet contracted for	193,166	390,761
Contracted for but not provided	161,428	97,337
	354,594	488,098
(ii) Project undertaken by a jointly controlled entity		
Group's share of property development expenditure		
Authorised but not yet contracted for	312,635	45,321
Contracted for but not provided	153,578	233,280
	466,213	278,601

Notes to the Condensed Financial Statements (continued)

For the six months ended 31st December, 2005

23. PROJECT COMMITMENTS (CONTINUED)

(b) Property renovation

	30.6.2005 HK\$'000	31.12.2005 HK\$'000
Property renovation expenditure		
Authorised but not yet contracted for	—	29,600
Contracted for but not provided	40,539	50,322
	40,539	79,922

(c) Power station project

The Group had entered into a co-operation agreement with a PRC enterprise for the joint development of a 2X600 MW power station in Guangdong Province of the PRC which is undertaken by a joint venture to be established for that purpose. The development cost of the project is estimated to be in the region of RMB5,400 million. The project, which is at a preliminary planning stage, is subject to approval by the relevant PRC authority. At the balance sheet date, development expenditure contracted for in respect of the development of the power station amounted to approximately RMB1,300 million.

At the balance sheet date, the Group has funded the development of the power station project amounted to approximately HK\$68 million (30.6.2005: Nil).

Save as disclosed herein, there have been no material changes in the Group's project commitments since 30th June, 2005.

24. CONTINGENT LIABILITIES

As detailed in note 7, the Company disposed of its entire interest in HTL during the period. As a result of the disposal, the various claims and disputes arising from the BERTS project undertaken by HTL are no longer contingent liabilities of the Group.

Save as herein disclosed, there have been no material changes in contingent liabilities of the Group since 30th June, 2005.

