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HOPEWELL Holdings Limited

2008-2009 Interim Report

合和實業有限公司

二零零八至二零零九年中期報告

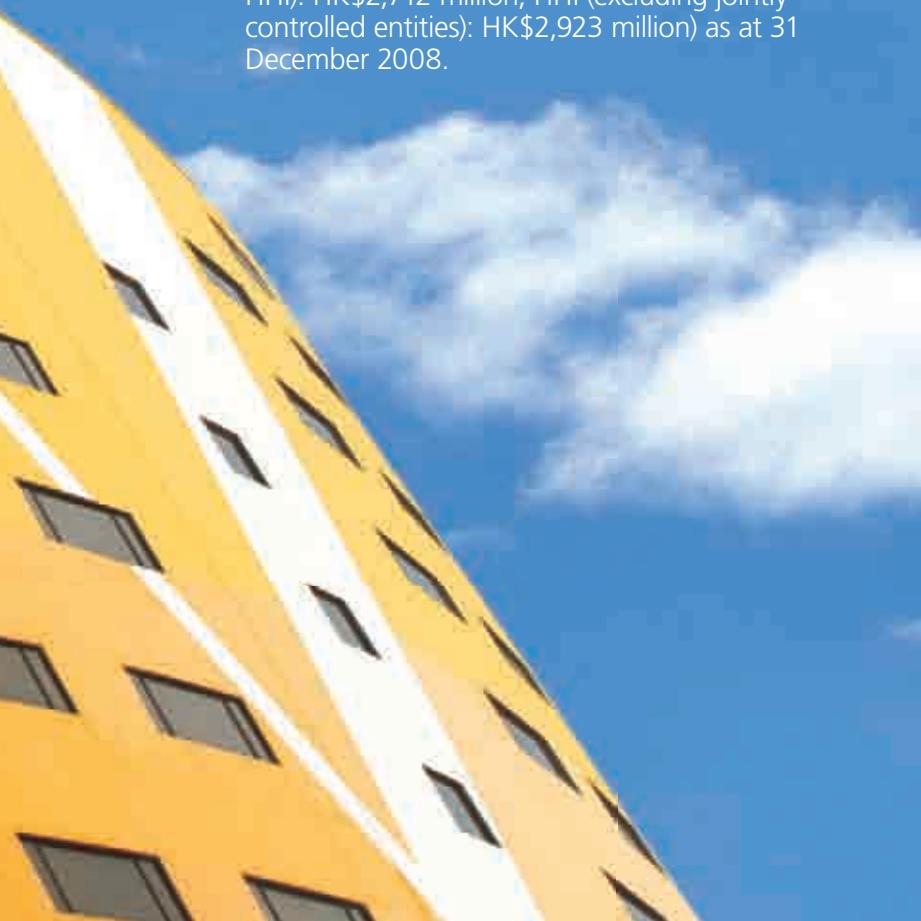


與社會共融
Harmony with the Society



Highlights

- Interim cash dividend of HK40 cents per share and special interim dividend by way of distribution in specie of 1 share in HHI for every whole multiple of 10 shares in the Company held were declared. In addition, special interim dividend of HK330 cents per share was paid in November 2008.
- Profit attributable to equity holders of the Company excluding exceptional items and net fair value gain (loss) on investment properties rose by 23% to HK\$935 million.
- Rental and property management fee income of the Group grew by 20% with improvement in both average rental and occupancy rate.
- Newly completed GardenEast and several shops at Wu Chung House were added to the rental properties portfolio.
- Traffic & toll revenue of Guangzhou-Shenzhen Superhighway gradually rebounded to a level comparable to that of 2006 after completion of maintenance works of Xintang to Dongguan section.
- Operation of the first unit of Heyuan Power Plant commenced in January 2009.
- The revised development plan for Hopewell Centre II was announced in November 2008.
- Net cash on hand amounted to HK\$5,635 million (the Group's net cash (excluding HHI): HK\$2,712 million; HHI (excluding jointly controlled entities): HK\$2,923 million) as at 31 December 2008.



CONTENTS

- 2 Group Results
- 4 Dividends
- 5 Closure of Register
- 5 Business Review
- 15 Financial Review
- 17 Prospects
- 18 Corporate Social Responsibility
- 20 Other Information
- 32 Report on Review of Interim Financial Information
- 33 Condensed Consolidated Income Statement
- 34 Condensed Consolidated Balance Sheet
- 36 Condensed Consolidated Statement of Recognised Income and Expense
- 37 Condensed Consolidated Cash Flow Statement
- 38 Notes to the Condensed Consolidated Financial Statements
- 54 Corporate Information and Key Dates

GROUP RESULTS

The Board of Directors of Hopewell Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2008.

Overview

For the six months ended 31 December 2008, the Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

In HK\$ million	Turnover (Note 1)		Earnings before interest & tax (Note 2)	
	2007	2008	2007 (Restated)	2008
Property letting, agency and management	229	275	109	180
Net fair value gain on investment property completed during the period	—	—	371	511
Property development	6	1	(7)	(17)
Toll road investment	1	—	484	550
Hotel operations, restaurant and catering	209	217	45	47
Power plant	—	—	—	(27)
Others	—	—	79	12
	445	493	1,081	1,256
Treasury income	150	106		
Share of toll revenue of jointly controlled entities	924	931		
	1,519	1,530		

In HK\$ million	Results	
	2007 (Restated)	2008
Earnings before interest & tax (Note 2)	1,081	1,256
Finance costs	(45)	(18)
Taxation	(114)	(141)
Profit before exceptional items and net fair value gain (loss) on other investment properties	922	1,097
Exceptional items	4,763	2
Net fair value gain (loss) on other investment properties	130	(7)
Taxation in respect of the exceptional items and net fair value gain (loss) on other investment properties	(159)	1
Profit for the Period	5,656	1,093
Attributable to:		
Equity holders of the Company	5,268	931
Minority interests	388	162
	5,656	1,093

Notes:

- (1) Turnover represents the sum of the Group's turnover of HK\$493 million (2007: HK\$445 million), the Group's treasury income of HK\$106 million (2007: HK\$150 million) and attributable share of toll revenue of jointly controlled entities engaged in toll road investment of HK\$931 million (2007: HK\$924 million).
- (2) Earnings before interest & tax represents the sum of (i) profit from operations before changes in net fair value gain (loss) on other investment properties and exceptional items of HK\$689 million (2007: HK\$565 million); and (ii) share of profits of jointly controlled entities and associates of HK\$567 million (2007: HK\$516 million).

Turnover

Turnover for the six months ended 31 December 2008, including the Group's treasury income and attributable share of toll revenue of jointly controlled entities ("JCEs") engaging in toll expressway business was HK\$1,530 million, which was slightly higher than the HK\$1,519 million recorded in the last corresponding period. On the property letting segment, riding on the growth trend of last few years, it continued to experience a robust growth of 20% when compared with the last corresponding period. This upsurge was mainly the results of the superior performance of Hopewell Centre and the successful launch of EMax in 2008. The growth in property letting segment was partially off-set by the decline in the Group's treasury income as a result of the decrease in market interest rates.

Despite the cessation of the sharing of recurring toll revenue from Guangzhou East-South-West Ring Road joint venture company ("Ring Road JV") subsequent to the disposal of the Group's interest thereof in September 2007, the Group's attributable share of toll revenue of JCEs engaging in toll expressway business in the People's Republic of China ("PRC") still recorded a growth over the last corresponding period.

Earnings before Interest and Tax ("EBIT")

The Group's EBIT increased by 16% or HK\$175 million to HK\$1,256 million from HK\$1,081 million of the last corresponding period. The strong growth in EBIT was due primarily to the excellent performance of property letting segment which rose HK\$71 million and the increase in fair value gain by HK\$140 million on investment property completed during the period as compared with those of last corresponding period. The Group's growth in EBIT was partially offset by the reduction in exchange gain recorded during the six months ended 31 December 2008 due to the relatively mild appreciation in the exchange rates of Renminbi in the period as compared with the last corresponding period.

Exceptional Items

Exceptional items for the period represented gain on disposal of available-for-sale investments. Gain from exceptional items of HK\$4,763 million for the last corresponding period represented (i) gain on disposal of the Group's property development project in Macau of HK\$3,948 million; (ii) gain on disposal of the Group's interest in Ring Road JV of HK\$793 million; and (iii) gain on disposal of available-for-sale investments of HK\$22 million.

Profit Attributable to Equity Holders

Profit attributable to equity holders dropped by HK\$4,337 million from last corresponding period to HK\$931 million. The decrease was mainly due to the recognition of exceptional gain on disposals of the Group's property development business in Macau and Ring Road JV in the last corresponding period. Excluding the net fair value gain (loss) on other investment properties and exceptional items, profit attributable to equity holders increased 23% to HK\$935 million from HK\$762 million in the last corresponding period.

DIVIDENDS

The Board of Directors has declared an interim dividend of HK40 cents per ordinary share in respect of the financial year ending 30 June 2009 (30 June 2008: HK55 cents). The interim dividend will be paid in cash on or about 20 March 2009 to those shareholders as registered at the close of business on 19 March 2009 (the "Record Date").

The Board of Directors has also decided to declare a special interim dividend to be effected by way of a distribution in specie of shares in Hopewell Highway Infrastructure Limited ("HHI") to shareholders as registered at the close of business on the Record Date. Eligible shareholders will receive one ordinary share in HHI ("HHI Share(s)") for every whole multiple of 10 ordinary shares in the Company held by them.

The Group currently owns an aggregate of 2,169,101,500 HHI Shares, representing approximately 73.2% of the issued share capital of HHI. As at 25 February 2009 (being the latest practicable date), there were 880,274,021 ordinary shares in the Company in issue. On the basis that there is no change in the issued share capital of the Company up to the Record Date, an aggregate of approximately 88,027,402 HHI Shares will be distributed and, based on the closing price per HHI Share of HK\$4.59, as traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), on 25 February 2009, the aggregate market value of the HHI Shares to be distributed is approximately HK\$404 million, which represents a distribution of approximately HK45.9 cents per ordinary share in the Company.

Upon the special interim dividend settlement, a gain or loss on disposal of partial interest in a subsidiary arising from distribution of dividend in specie, calculated as the difference between the fair value and the carrying amount of the HHI Shares to be distributed on the settlement date, will be accounted for in the Group's result in the accounting period in which the settlement date falls into. Assuming the actual number of those HHI Shares held by the Company and to be distributed by the Company in specie to the eligible shareholders ("Distribution Shares") is 88,027,402, the closing price of HHI Shares on 25 February 2009 as the estimated fair value of the Distribution Shares on the special dividend settlement date and the net asset value per HHI Share on 31 December 2008 as the carrying amount of each of the Distribution Shares on the settlement date, a gain of approximately HK\$155 million will be recognized by the Group in the second half of the current financial year.

After such distribution, the Group will hold approximately 2,081,074,098 HHI Shares, representing approximately 70.3% of the issued share capital of HHI and the other shareholders of HHI will hold approximately 880,616,185 HHI Shares, representing 29.7% of the issued share capital of HHI. HHI will continue to be a subsidiary of the Company. The free float of HHI Shares will thus be increased and the shareholder base of HHI will also be broadened.

Further announcement will be made on the details of the distribution in specie of shares in HHI, including the arrangements regarding fractional entitlements and overseas shareholders' entitlements and the time table for the distribution of HHI Shares to the shareholders.

Considering the Group would receive a special dividend from HHI in the total amount of approximately HK\$1,822 million, the Board of Directors declared a special interim dividend of HK330 cents per ordinary share for the financial year ending 30 June 2009 on 23 October 2008 with a view of increasing the return on equity of the Company. Such special interim dividend had been paid to the shareholders on 14 November 2008. A special interim dividend of HK55 cents per ordinary share was declared when the Company announced its interim results in respect of the financial period ended 31 December 2007 in February 2008.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Monday, 16 March 2009 to Thursday, 19 March 2009, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the interim dividend and the special interim dividend in specie, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 13 March 2009.

BUSINESS REVIEW

The global financial crisis has deepened since September 2008 when the world-wide stock markets crashed and the problems of the European and United States financial systems began to surface. In order to overcome the impact of the international financial crisis and stabilize the economic environment, many governments or central banks, including the People's Bank of China, lowered the interest rates and/or inject capital into the banking systems. The Government of PRC's initiatives endeavor to achieve stable and healthy economic development.

Owing to the global recession, the declining demand for exports has also resulted in a slowdown of growth in the Pearl River Delta ("PRD") region. However, its negative impact on the growth in traffic flow of the Group's highways is partly offset by the continuous growth in car ownership in the region and the government's measures to support the automobile industry. Despite the crash in the stock market and softening of property market, the local economy has remained generally stable given the increasing visitors from the Mainland China has provided a boost to the retail consumption in Hong Kong.

Notwithstanding the unfavorable global economic conditions, the Group has continued to strengthen its existing base during the period by focusing on its core businesses, namely "Property", "Infrastructure" and "Hospitality" and forging ahead the major projects of the Group, including particularly the completion of construction of GardenEast, the commencement of operation of the first unit of Heyuan Power Plant in January 2009 and the revision of the development plan for Hopewell Centre II.

Property Investment

Turnover of the property rental business for the period under review rose from HK\$229 million of the last corresponding period to HK\$275 million, representing an increase of 20%. EBIT of the property investment business increased 65% to HK\$180 million compared with the corresponding period last year.

BUSINESS REVIEW (continued)

During the period, the Group's property investment portfolio has been further strengthened by the completion of construction of GardenEast and the acquisition of several retail outlets at Wu Chung House.

"The East"

"The East" is a new brand created for a dining and entertainment community conveniently located in Wanchai. First launched in December 2007, "The East" now comprises a cluster of retail outlets at Hopewell Centre, QRE Plaza, Wu Chung House and GardenEast with a total gross floor area of approximately 275,000 square feet. At present, 19 food and beverage outlets are in operation and 4 more will be opened soon. Through better coordinated marketing and promotional efforts, the branding is gradually building up. With the synergy achieved for the retail element of the different buildings involved, we expect rental performance would be further enhanced.

Hopewell Centre, Wanchai

Hopewell Centre, the 840,000-square-foot flagship of the Group's rental properties, recorded a 23% growth in rental income compared with the corresponding period last year, with a steady occupancy rate of 94% as at 31 December 2008. Notwithstanding the recent economic slowdown, the rental performance of the property was underpinned by stable occupancy and improvement in rental rate. As part of its continuing efforts in providing quality environment and facilities to the office tenants and retail customers of Hopewell Centre, the Group is currently refurbishing the carpark after completing the modernization works of the office floors. Such enhancement has proved to be effective in drawing more and more professional and multi-national companies to relocate their offices to Hopewell Centre. Complemented by "The East" brand, the retail portion of Hopewell Centre has successfully attracted more quality food and beverage operators, offering a wider variety of dining choices to tenants and visitors of the building.

QRE Plaza, Wanchai

QRE Plaza, a 77,000-square-foot stylish commercial building and one of the key components of "The East", comprises 25 storeys and is connected to Hopewell Centre and Wu Chung House by a footbridge. Benefiting from "The East" brand, it has received encouraging market response from operators of trendy food and beverage outlets and unique servicing trades. As of 31 December 2008, the occupancy rate of the building has reached 71% and a further 12% of the total floor area is under active rental negotiations. In February 2009, the Metro Planning Committee of the Town Planning Board has agreed to rezone QRE Plaza site to "commercial" use.

GardenEast, Wanchai

This newly completed 96,500-square-foot 28-storey property offers 216 high quality serviced apartments with three retail shops at the podium level. The occupation permit of the property was issued in September 2008 and fitting out works were carried out during the period. The property offers conveniently located, stylish and high quality accommodation in the heart of Wanchai commercial district, targeting the lucrative market of expatriates and young professionals. Marketing of the shops and the first batch of apartments has obtained encouraging response and operations have already started in February 2009. It is expected that the retail element will add new momentum to "The East". The development, with a total investment of about HK\$380 million, will be held for long-term investment purpose.

Hongkong International Trade and Exhibition Centre, Kowloon Bay

HITEC, a commercial and retail complex comprising the office, convention/exhibition halls and shopping mall known as EMax, provides unrivalled convenience and opportunities for event organizers and retail operators after the repositioning into a top-notch multifaceted property in 2007.

EMax, a 900,000-square-foot shopping and entertainment destination in HITEC, has attracted a wide variety of tenants offering food and beverage, pet accessories and services, home design and furniture, car show, bowling, retail and entertainment. With the opening of Metropolitan International Duty Free Square, a tourist department store, at EMax in the fourth quarter of 2008, the retail occupancy rate of EMax rose from 80% as at 31 December 2007 to 92% as at 31 December 2008. It has also increased the footfalls of customers of EMax.

Star Hall, the only large scale multi-purpose venue in Eastern Kowloon, measuring 30,000 square feet offers column-free space capable of accommodating audiences up to approximately 3,600, has completed its first year of full operation. It is ideal for all kinds of events including concerts, exhibitions, banquets, conferences and performances and much more. Star Hall has now become a popular performance venue in town and has attracted various local and overseas top artists hosting concerts or performances. Advance bookings of the venue have been made up to mid-2010. The business of Star Hall constituted a major portion of convention and exhibition revenue of HITEC. The overall convention and exhibition revenue increased by 30% compared with the corresponding period last year.

For the 600,000-square-foot office portion of HITEC, occupancy rate increased from 90% to 94% as at 31 December 2008.

Panda Place, shopping mall of Panda Hotel, Tsuen Wan

Panda Place, a 221,000-square-foot shopping mall situated on the lower floor and basement of the Panda Hotel, is conveniently located within walking distance from both Tsuen Wan and Tai Wo Hau MTR stations. Since the completion of the major renovation works of the mall in the second half of 2005, the mall has provided retailers with excellent business opportunities. Aggressive leasing strategies and promotional activities have attracted a wide variety of tenants covering food and beverage, fashion and accessories, home design, lifestyle, education and entertainment. Despite intense competitions amongst other shopping malls in the district, the occupancy rate of Panda Place reached 85% as at 31 December 2008 and rental income for the period rose by 12% compared with the corresponding period last year. On-going upgrading works alongside trade-mix enhancement programs have been implemented to facilitate the shopping mall to become a dynamic and exciting landmark in Tsuen Wan.

Residential Development, 12 Broadwood Road, Happy Valley

The site is being redeveloped into a 45-storey luxurious apartment building with 78 residential units, a fully-equipped clubhouse, spacious landscaped areas and carparks. The property will be held for rental purpose targeting the upper end residential market. The development has a gross floor area of approximately 113,900 square feet and is planned to be completed in the second half of 2010. The currently planned total investment will be about HK\$700 million. Upon completion, the development will further strengthen the Group's recurring rental income base.

BUSINESS REVIEW (continued)

Liede Integrated Commercial (Operating Lease) Project, Zhujiangxincheng, Guangzhou

The project has a planned total gross floor area of about 232,000 square metres (including basements). It will consist of a five-star hotel, serviced apartments, grade A office space and a luxurious shopping centre with dining, entertainment and shopping facilities. The project is now in its design stage, the construction works are planned to start in the third quarter of 2010 with completion planned in the second half of 2015. Pursuant to the agreement with the landlord, a subsidiary of the Company will be responsible for fitting-out and equipping the property and for paying rent to landlord when the business operations of the property commence. Under the present plan, the Group intends to invest not less than RMB1,000 million in this project.

Property Development

Hopewell New Town, Huadu, Guangzhou

The project is a composite development with a site area of approximately 610,200 square metres. It comprises apartments, townhouses, commercial area and recreational facilities which are being developed in phases. The development of Phase 1B, which comprises 6 apartment buildings of approximately 18,000 square metres, is currently planned to be completed in the fourth quarter of 2009, with planned total investment of about RMB50 million. Phase 2 will comprise 48 units of townhouses and 10 blocks of apartments with total gross floor area of approximately 94,000 square metres. Pre-sale campaign for the townhouses started in the fourth quarter of 2008 and 3 blocks of the apartments are planned to be launched for pre-sale in second half of 2009. The currently planned total investment for Phase 2 will be about RMB300 million. Construction works are planned to be completed in first half of 2009 (for townhouses) and first half of 2010 (for the first three apartment blocks).

Infrastructure

HHI

HHI has invested in two sino-foreign co-operative joint venture enterprises that construct and operate the Guangzhou-Shenzhen Superhighway ("GS Superhighway") and the three phrases of Western Delta Route. For the six months ended 31 December 2008, the aggregate average daily traffic of GS Superhighway and Phase I of the Western Delta Route ("Phase I West") recorded a decrease of 4% to 348,000 vehicles and their aggregate average daily toll revenue decreased by 3% to RMB9.5 million. While the toll revenue of Phase I West increased and that of GS Superhighway decreased, the aggregate total toll revenue amounted to RMB1,756 million.

As reported by the media, the commencement of the construction of the Hong Kong-Zhuhai-Macau Bridge will be advanced to the end of 2009, which will be beneficial to the early expansion and enhancement of the regional highway network. Moreover, economic development on the western bank of the PRD region will be accelerated in view of the initiatives laid down in the Outline of the Eleventh Five-Year Plan for the National Economic and Social Development in Guangdong Province and the Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020) announced by The National Development and Reform Commission in December 2008. The Group believes that all these will create synergy to the benefit of the Western Delta Route.

Besides, the media has reported that certain sections of the Guangzhou-Shenzhen Coastal Expressway will start construction in 2009. The Group will continue to monitor its development. The Group believes that, with the strategic location of GS Superhighway and its established

connection to the regional highway network in addition to the expansion project of turning GS Superhighway into a ten-lane expressway, the status of GS Superhighway as the main artery within the region will further be strengthened.

To cope with the financial tsunami and sustain the continuous economic growth of the PRC, the Central Government has launched recently a number of initiatives and policies to boost the economy by increasing and accelerating investments in transport infrastructure, stimulating domestic demand by means of providing major support for sectors like the automobile industry in various forms, including the reduction of vehicle sales tax, the imposition of fuel tax bundled with the elimination of road maintenance fees and the cancellation of toll charging on grade 2 toll roads country-wide, which altogether act as an incentive to purchase and use cars in light of the reduced costs. Such initiatives are expected to bring about a steady increase in car ownership. Besides, connectivity to the transportation network of the peripheral cities will further be enhanced as the 16th Asian Games will be held in Guangzhou in 2010, thus generating positive impacts on the continuous economic growth of the PRD region and driving the demand for transportation to increase in the region. The Group believes that GS Superhighway and Phase I West will benefit as a result.

Guangzhou-Shenzhen Superhighway

GS Superhighway is the main artery of the expressway network in the PRD region connecting four major cities, namely Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, GS Superhighway's average daily traffic slid 5% to 319,000 vehicles compared with the corresponding period last year. Its average daily toll revenue slightly decreased 3% to RMB9.1 million. The total toll revenue in the six months under review amounted to RMB1,679 million.

As the maintenance and improvement works of the northern bound lanes of Xintang to Dongguan section of GS Superhighway were completed and re-opened to traffic on 9 July 2008, its toll revenue and traffic have been gradually rebounding. However, due to the global economic downturn since the fourth quarter of 2008, the growth of the imports and exports of Guangdong experienced a significant slowdown. Alongside the implementation of the "Green Lane" policy since January 2008 as well as the diversion impact generated by the newly built parallel roads nearby, the toll revenue and traffic are recovering at a pace slower than expected. Currently, the toll revenue and traffic are gradually rebounding to a level comparable to that of 2006, when the historical high of daily toll revenue was recorded. The trend in traffic has now stabilized.

An intelligent traffic management system, jointly installed by the GS Superhighway joint venture company and the Traffic Management Department of Guangdong Provincial Public Security Bureau, was substantially completed during the period under review and operation commenced in January 2009. GS Superhighway is now the first toll expressway model in the Guangdong Province to adopt an intelligent traffic management system. The system helps further enhance the efficiency of the traffic surveillance in detecting and handling traffic accidents so as to minimize congestions thus caused.

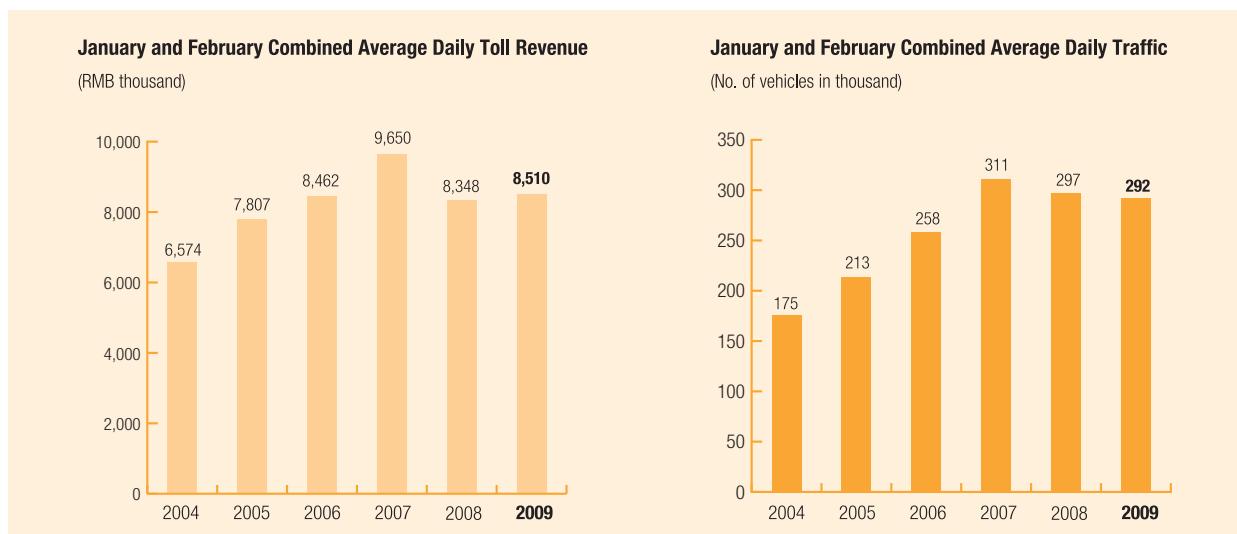
A feasibility study on expanding the GS Superhighway to a ten-lane expressway is near completion. Approval by relevant authorities can be sought by the joint venture company upon its completion.

BUSINESS REVIEW (continued)

The news media has reported that relevant authorities of the Mainland China and Hong Kong are studying the details of introducing a short-term quota system for cross-border private cars at the Shenzhen Bay Port, from which the GS Superhighway may benefit.



Historically, the daily traffic of GS Superhighway fluctuates on or about the Chinese New Year holidays, which could be in either January or February. This leads to distortion in the year-on-year comparison made for either month. Therefore, it is reasonable to analyze the trends of traffic and toll revenue by combining the figures for both January and February. In 2009, the combined average daily traffic was higher than that of 2008, when the maintenance and improvement works of Xintang to Dongguan section were carried out for southern bound lanes from 18 October 2007 to 10 January 2008 and for northern bound lanes from 18 February 2008 to 9 July 2008.



Phase I of the Western Delta Route

The Western Delta Route is planned to be constructed in three phases. Its first phase, Phase I West, has commenced operation since April 2004. Phase I West is a 14.7 km closed expressway, total six lanes in dual directions, connecting to Guangzhou East-South-West Ring Road in the north, and National Highway 105 and Bigui Road of Shunde in the south. Currently, it is the only expressway linking Guangzhou and Shunde.

The growth in the traffic and toll revenue of Phase I West slowed down mainly due to: (i) the significant slowdown in the growth of imports and exports in the Guangdong Province; (ii) an arrangement of mutual recognition of annual pass for Guangdong and Foshan implemented since October 2008 under which the vehicles of either city are exempted from paying any toll for using the grade 1 toll roads and toll bridges of the other city; and (iii) a higher base value resulted from the substantial growth in traffic and toll revenue of Phase I West after Guangzhou East-South-West Ring Road became toll-free with effect from September 2007. During the period under review, Phase I West's average daily traffic grew 6% to 29,000 vehicles and average daily toll revenue rose 8% to RMB420,000. The total toll revenue in the six months under review amounted to RMB77 million.

According to the highway network planning of Guangzhou and Foshan, several highways, currently planned and under construction, will be connected to Phase I West upon completion in the next few years, including Foshan First Ring Road extension link, Pingzhou-Danzao Expressway and Pingzhou-Nansha Expressway as well as Guangzhou-Gaoming Expressway, all of which will serve as drivers for the future growth of Phase I West and the entire Western Delta Route.



Phase II of Western Delta Route (“Phase II West”)

Phase II West is a 46 km closed expressway, total six lanes in dual directions, with its northern end connected to Phase I West in Shunde and extending southwards to Zhongshan, linking with the National Highway 105 and the proposed Xiaolan Expressway and Qijiang Highway of Zhongshan. Upon completion, it will be the only expressway linking Guangzhou to the central area of Zhongshan. The construction of Phase II West is currently planned to be completed and operation will commence in the financial year of 2010.

The investment budget for Phase II West was first compiled in 2004. As a result of inflation and the State's stringent control policies on land use, the costs of land, construction materials, interest, etc. increased significantly in recent years. The investment budget was adjusted upward from the original planned amount of approximately RMB4,900 million (excluding loan interest during construction) to approximately RMB7,200 million (including loan interest during construction). HHI therefore entered into an amendment agreement for the joint investment in, construction and operation of the Phase II West with its PRC partner (the same PRC partner of Phase I West) on 2 September 2008 to increase the HHI's share of the registered capital for the project by approximately RMB402.5 million. Details of the transaction can be referred to the joint announcement made by the Company and HHI on 2 September 2008. The amendment agreement is now being processed by the relevant authorities.

The difference between the budget investment and the registered capital is financed by banks in the Mainland China. Loan facility has been obtained by the joint venture company.

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

Phase III West is a 38 km closed expressway, total six lanes in dual directions, with its northern end connected to Phase II West in Zhongshan and extending southwards to connect to the highway network in Zhuhai.

Phase III West is located at the populous and fast growing cities on the western bank of the PRD region. To fit in the city and transport planning of Zhongshan and Zhuhai and to shorten the lengthy land acquisition and demolition process, the alignment and design of certain sections of Phase III West had been revised. That included increasing the length of tunnel, which is of a higher construction cost, to be built from 2.5 km to 5.1 km. In addition, as a result of inflation and the State's stringent control policies on land use, the costs of land, construction materials, interest, etc. increased significantly in recent years. The investment budget of the project was revised from the original planned amount of RMB3,260 million (excluding loan interest during construction) to RMB5,600 million (including loan interest during construction). Similar to the case of Phase II West, HHI entered into an amendment agreement for the joint investment in, construction and operation of the Phase III West with its PRC partner (also the same PRC partner of Phase I West) on 2 September 2008 to increase HHI's share of the registered capital for the project by approximately RMB409.5 million. Details of the transaction can be referred to the joint announcement made by the Company and HHI dated 2 September 2008. The amendment agreement is now being processed by the relevant authorities. Depending upon the approval progress, it is currently planned to commence construction of Phase III West in 2010 and it may take approximately 3 to 4 years to complete.

Recently, the market prices of construction materials have dropped significantly as compared to September 2008 when the Group entered into agreements for further investments in Phase II West and Phase III West. This will help reduce the final cost of investments in the two projects. If the prices of construction materials remain at the current level, the total costs of Phase II West and Phase III West will be within the budget.

HHI will endeavour to expedite the construction of Phase II West and Phase III West and have them completed as planned. It is expected that, upon the completion of the entire Western Delta Route, it will be the most direct and convenient highway linking up Guangzhou, Foshan, Zhongshan and Zhuhai leading to Macau, and will become a strategic expressway on the western bank of the PRD region.

Heyuan Power Plant

Heyuan Power Plant is a 2 x 600 MW ultra super-critical coal-fired power plant located in Heyuan City. It is the most efficient and one of the most environmentally friendly coal-fired power plants in Guangdong Province today. The Group currently holds 35% effective interest in Heyuan Power Plant which is a joint venture between a subsidiary of the Company and Shenzhen Energy Group Company Limited.

The total project cost is planned to be about RMB5.2 billion, of which 30% has been injected as equity by the joint venture partners. The joint venture company has signed a RMB3.64 billion syndicated project loan facility in February 2008 for loan tenor up to 15 years to finance the balance of 70% of the project cost. Unit 1 of the power plant has commenced operation in January 2009. The construction work of unit 2 is well advanced, with commercial operation presently planned in the second half of 2009. The power plant will supply electricity to Guangdong Province, in particular to Heyuan and Huizhou City.

In July and August 2008, the on-grid tariff of Guangdong's coal fired power plants was increased twice, totaling an increase of 11% from RMB0.4532/kwh to RMB0.5042/kwh. The joint venture company signed an electricity sales contract with Guangdong Power Grid Corporation in December 2008.

During the period under review, the spot coal prices at Qinhuangdao have declined to around RMB580/ton at the end of year 2008. Decreased coal prices and the upward adjustments of the on-grid tariff starting from second half of 2008 in the PRC have significantly improved the business environment for coal fired power producers in the PRC, including Heyuan Power Plant.

Hospitality

Panda Hotel, Tsuen Wan

During the period under review, Panda Hotel achieved a satisfactory performance. Despite the intense competition, the hotel succeeded in increasing its occupancy level and attaining a higher average room rate through market diversification. While the key contribution of room revenue was from the leisure market, guests from business segment also supplied the hotel with a steady flow of income.

BUSINESS REVIEW (continued)

For the period under review, Panda Hotel recorded a slight increase in average room occupancy to 89% while average room rate increased by 7% compared to the corresponding period last year. Total room revenue was HK\$79 million, which exceeded that of last year by 8%. Total hotel revenue, excluding that of the food and beverage operations, was HK\$81 million, representing a growth of HK\$6 million or 8% over that in last year.

Restaurant and Catering Services

The restaurant and catering services of the Group, comprising the food and beverage operations of the Panda Hotel (“Panda F&B”) and the HITEC, Hopewell Food Industries Limited (“Hopewell Food”) and Bayern Gourmet Food (“BGF”), recorded a growth of 2% in business volume, with total revenue of HK\$132 million for the period under review.

The total revenue of Panda F&B was HK\$37 million for the period, which is 11% above the corresponding period last year. To maintain the momentum of business growth, Panda F&B will leverage Panda Hotel’s newly renovated Grand Ballroom through different banquet marketing schemes.

The food and beverage operation in HITEC achieved steady growth of 4% to HK\$29 million during the period under review. As public awareness of EMax, Star Hall and Kowloon Bay Area continues to grow, it will bring a positive impact on HITEC’s restaurants and catering services businesses.

Hopewell Food operates the “R66 Revolving Restaurant” at Hopewell Centre and “The Queen’s Palace Restaurant” newly opened in September 2008 at QRE Plaza, which serves Beijing, Sichuan, and Shanghai cuisines. Turnover of Hopewell Food increased by 6% to HK\$19 million compared with the corresponding period last year despite the drop in customers’ average spending during the economic downturn.

BGF produces European gourmet products locally with distinct German flavor. From a better bratwurst to an authentic beerwurst of Bavarian tradition, BGF offers a wide variety of products ranging from smoked seafood, cured meats and ham, poultry and sausages all blended into one fine epicurean taste culture. Selected promotions for brand awareness and product identity are popular among local supermarkets. Turnover of BGF decreased by 6% to HK\$49 million compared with the corresponding period last year, mainly attributed to the lessen demand for smoked salmon.

Hopewell Centre II, Wanchai

The Company announced in November 2008 that the development plan of “Hopewell Centre II” would be revised. The revised plan strikes a balance between economic development and environmental protection, under which the total number of storey will be reduced to about 55 while the total floor area will be decreased to about 101,600 square metres. The height of the building, 210 metres above the principal datum, will be lower than the adjacent Hopewell Centre. The ridge line will therefore be intact. With about 1,024 hotel rooms, Hopewell Centre II will be Hong Kong Island’s first conference hotel. The total investment is currently planned to be about HK\$5 billion. The project will include a HK\$400 million road improvement plan, a green park open for public use, and an extensive tree planting plan. The road improvement plan will help solve traffic problems in the area and enhance the safety of pedestrians.

In January 2009, the Wan Chai District Council passed a motion to support the gazetting of the related road improvement works of the project, which is now pending gazetting. The Company will continue to strengthen its communications with various stakeholders and drive forward the project in line with established procedures.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2008, the Group's cash balances and available committed banking facilities were as below:

<i>In HK\$ million</i>	30.06.2008	31.12.2008
Cash		
HHI and its subsidiaries	5,997	2,923
Other entities in the Group	4,785	2,712
	10,782	5,635
Available Committed Banking Facilities		
HHI and its subsidiaries	3,600	3,600
Other entities in the Group	13,350	13,350
	16,950	16,950
Cash and Available Committed Banking Facilities		
HHI and its subsidiaries	9,597	6,523
Other entities in the Group	18,135	16,062
	27,732	22,585

Maturity Profile of the Major Available Committed Banking Facilities	Maturity Date
HK\$3,600 million syndicated loan for HHI and its subsidiaries	13.10.2010
HK\$5,350 million syndicated loan for other entities in the Group	30.06.2011
HK\$7,000 million syndicated loan for other entities in the Group	28.09.2014

On top of the above available committed banking facilities, the Group's available uncommitted banking facilities amounted to HK\$450 million as at 31 December 2008 (HK\$602 million as at 30 June 2008).

The main reasons for the decrease of cash balance for the six months ended 31 December 2008 are the payments of final and special final dividends for the financial year ended 30 June 2008 in October 2008 and special interim dividends for the financial year ending 30 June 2009 in November 2008.

As at 31 December 2008, there was no corporate debt outstanding. The Group's financial position remains strong. With net cash balances in hand as well as available banking facilities, the Group has sufficient financial resources to cater for its recurring operating activities, present and potential investment activities.

FINANCIAL REVIEW (continued)

Treasury Policies

The Group adopts prudent and conservative approach on treasury policies. The overall objective is to minimise the finance cost and optimise the return on financial assets.

The Group did not have any hedging arrangement to hedge the interest rate or exchange rate exposures during the period under review. However, the Group will continue to closely monitor such risk exposures from time to time.

The Group generally places all cash in short-term deposits denominated mainly in Hong Kong dollar. The Group has not invested in any Accumulator, Equity Linked Note or other financial derivatives instruments during the period under review.

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

<i>In HK\$ million</i>	<i>30.6.2008</i>	<i>31.12.2008</i>
		<i>(Restated)</i>
Equity attributable to equity holders of the Company	23,047	19,422
Share based compensation reserves of a subsidiary	3	5
Minority interests	3,233	2,360
 Total Equity	 26,283	 21,787
Bank Borrowings	—	—
 Total Capitalisation	 26,283	 21,787

Project Commitments

Details of the project commitments are set out in note 18 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities are set out in note 19 to the condensed consolidated financial statements.

Charges on Assets

As at 31 December 2008, none of the Group's assets were pledged to secure any loans or banking facilities.

Material Acquisitions or Disposals

In order to strengthen the portfolio under "The East", the Group acquired the entire equity interests in Mingway Company, Limited ("Mingway") from a company beneficially owned by certain directors of the Company for a total consideration of HK\$208.4 million during the period under review. Mingway is principally engaged in property investment and its principal asset is its sole ownership of certain shops at Wu Chung House.

PROSPECTS

The completion of the GardenEast serviced apartment and the acquisition of the retail outlets at Wu Chung House is expected to bring more recurring rental income for the Group. The property business will remain an important growth driver of the Group. However, the positive rental reversion cycle will likely slow down under the economic downturn.

The Huadu City Government has announced in February 2009 that the National Development and Reform Commission has approved the development plan of Guangzhou mass transit route No. 9, which will run underneath Ying Bin Road and will have a station located near Hopewell New Town. The mass transit development plan, which is expected to commence construction in 2009 and be completed in 2013, will have a positive impact on our property development in Huadu.

On the toll expressway side, it is anticipated that the construction of Phase II West will be completed and operation will commence in the financial year of 2010. Upon its completion, it will help enlarge HHI's toll revenue base. Application for the project approval of Phase III West is being processed by the relevant PRC authorities. Dependent upon the approval progress, construction of Phase III West is planned to commence in 2010 and it may take approximately 3 to 4 years to complete.

As announced in November 2008, the Company is committed to investing in Hopewell Centre II despite the unfavorable impact of the current macroeconomic conditions on local economy. This hotel project, with a reduced scale of development, fully demonstrates the Company's attitudes towards corporate social responsibility. It involves not only property development, but also the construction of a green park of about 5,880 square metres and extensive road improvement works. It will create about 4,000 jobs in total. Upon the completion of Hopewell Centre II, the Group's property and hospitality operations will be expanded significantly.

Last but not least, given that the PRC Government will maintain the long term growth of the economy by introducing proactive stimulative measures, the power industry in the PRC will benefit from the steadily growing demand for electricity. The Group is confident that Heyuan Power Plant will contribute to the sustainable development within the Guangdong Province as well as deliver reasonable returns to shareholders. On the other hand, the Group is now developing alternative means of power generation as part of its business strategies. As announced in November 2008, a subsidiary of the Company signed a letter of intent to build a prototype wind turbine in Zhanjiang, Guangdong Province using a technology developed within the Group.

With its strong cash position and abundant banking facilities, the Group is in a solid financial position to build for the future.

CORPORATE SOCIAL RESPONSIBILITY

At Hopewell Holdings Limited, we believe that a thriving community facilitates our continuous business success. We see corporate social responsibility as an essential element for stimulating and sustaining the community growth that will help further our development.

With a business model grounded on corporate social responsibility, we have played a significant role in facilitating the urban renewal of Wanchai through our property development projects. Similarly our infrastructure projects, such as power stations and expressways, have assisted the economic growth of the Pearl River Delta. We regard it as vitally important to communicate with our stakeholders, listen to their views and work together with them to promote the well-being of the community, thus contributing to a win-win scenario.

Built on our long-standing commitment to good corporate citizenship, we have continued to achieve significant progress in the second half of 2008.

1. Care for the Community

An integral part of our efforts in promoting community growth is supporting the organization of community and charitable events in our properties. In the past 6 months, over 80 of such events were held, totalling the provision of over 650 hours of free space in our properties like Hopewell Centre, EMax and Panda Place.

As in past years, we continued to participate in various community initiatives such as Dress Special Day and Love Teeth Day organized by the Community Chest, and PHAB Walk for Integration. Our employees were encouraged to take up voluntary work such as participating in Flag Day and organizing Christmas parties for mentally handicapped children as well as grassroots families.

As the average daily traffic of our two toll roads during the six months ended 31 December 2008 exceeded 300,000 vehicles, traffic safety is a major issue to which we devote special attention. In July 2008, HHI, together with its joint venture company, co-organized a province-wide large-scale traffic safety promotion campaign with the Traffic Management Department of Guangdong Provincial Public Security Bureau. Over 100,000 volumes of the classic Chinese literature "Analects of Confucius" with traffic safety tips were distributed to the public free of charge, promoting both traffic safety and traditional Chinese culture.

2. Care for the Environment

To reduce energy consumption, high efficiency water-cooled chillers were installed in HITEC, Panda Hotel and Panda Place to replace air-cooled chillers. The installation was completed in June 2008. With our ongoing energy saving efforts, we have reduced the use of electricity by about 17% in the second half of 2008 when compared to the same period last year.

We continued to step up our endeavours to build a greener community and joined the "Green Hong Kong • Carbon Audit" campaign in December 2008. We will prepare a report on the GHG emissions arising from the operations of our major properties in Hong Kong. In addition, we will review various energy savings measures for building services system and management operations in order to reduce and offset GHG emissions.

3. *Care for Employees' Wellbeing*

We have launched a series of programmes to promote employees' wellbeing and work-life balance. Employees and their family members were invited to join various recreational as well as charitable activities. The Group is also dedicated to building a healthy and safe working environment and has recently launched the Preparedness for Influenza Pandemic programme. Fire drills were conducted and other fire safety measures were adopted to strengthen the awareness of fire safety among employees. In addition, mandatory Green Card application for relevant employees is another measure taken to prevent workplace injury and illness. We also organized various training programs and seminars to promote the continuous development of employees.

As a result of strong management and staff commitment, Hopewell Holdings Limited, HHI, Hopewell Real Estate Agency Limited, Hopewell Property Management Company Limited and Panda Hotel were awarded the Caring Company Logo 2008/2009 by the Hong Kong Council of Social Service in recognition of the companies' active community involvement.

OTHER INFORMATION

Review of Interim Results

The unaudited interim results of the Group for the six months ended 31 December 2008 have been reviewed by the Audit Committee and the auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2008, 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 Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(A) the Company⁽ⁱ⁾

Directors	Shares				Underlying shares of equity derivatives ^(iv)	Awarded shares ^(v)	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⁾				
Sir Gordon Ying Sheung WU	74,683,032	24,720,000 ^(vi)	111,250,000 ^(vii)	30,680,000	—	—	241,333,032 ^(x)	27.36%
Eddie Ping Chang HO	25,023,462	1,365,538	2,050,000	—	—	—	28,439,000	3.22%
Thomas Jefferson WU	25,130,000	—	820,000	—	—	—	25,950,000	2.94%
Josiah Chin Lai KWOK	1,185,000	—	—	—	—	90,000	1,275,000	0.14%
Henry Hin Moh LEE	5,104,322	—	—	—	—	—	5,104,322	0.58%
Robert Van Jin NIEN	792,000	—	—	—	—	36,000	828,000	0.09%
Guy Man Guy WU	2,645,650	—	—	—	—	—	2,645,650	0.30%
Lady Ivy Sau Ping KWOK WU	24,720,000	124,743,032 ^(viii)	61,190,000 ^(ix)	30,680,000	—	—	241,333,032 ^(x)	27.36%
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	230,000	—	—	—	—	60,000	290,000	0.03%
Eddie Wing Chuen HO Junior	572,000	—	—	—	—	36,000	608,000	0.07%
Lee Yick NAM	90,000	—	—	—	—	—	90,000	0.01%
Barry Chung Tat MOK	838,000	—	—	—	—	50,000	888,000	0.10%
William Wing Lam WONG	100,000	—	—	—	288,000	50,000	438,000	0.05%

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 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 interests in awarded shares represented interests of awarded shares granted to Directors under the Employees Share Award Scheme of the Company adopted on 25 January 2007 but not yet vested, details of which are set out below:

Directors	Date of award	No. of awarded shares	Vesting date
Josiah Chin Lai KWOK	25/01/2007	90,000	25/01/2009
Robert Van Jin NIEN	25/01/2007	36,000	25/01/2009
Albert Kam Yin YEUNG	25/01/2007	60,000	25/01/2009
Eddie Wing Chuen HO Junior	25/01/2007	36,000	25/01/2009
Barry Chung Tat MOK	25/01/2007	50,000	25/01/2009
William Wing Lam WONG	25/01/2007	50,000	25/01/2009

- (vi) The family interests in 24,720,000 shares represented the interests of Lady WU.
- (vii) 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 (ix).
- (viii) The family interests in 124,743,032 shares represented the interests of Sir Gordon WU. This figure included 50,060,000 shares held by Sir Gordon WU through corporations.
- (ix) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.
- (x) Sir Gordon WU and Lady WU were deemed under the SFO to have same interests with each other.

(B) Associated Corporations

(a) Hopewell Highway Infrastructure Limited ("HHI")

Directors	HHI shares				Total interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests⁽ⁱ⁾ (interests of controlled corporation)	Other interests		
Sir Gordon Ying Sheung WU	6,249,402	2,772,000 ⁽ⁱⁱ⁾	10,124,999 ⁽ⁱⁱⁱ⁾	3,068,000 ^(iv)	22,214,401 ^(viii)	0.75%
Eddie Ping Chang HO	1,824,046	136,554	205,000	—	2,165,600	0.07%
Thomas Jefferson WU	7,915,000	—	82,000	—	7,997,000	0.27%
Henry Hin Moh LEE	279,530	—	—	—	279,530	0.01%
Robert Van Jin NIEN	60,000	—	—	—	60,000	0.00%
Lady Ivy Sau Ping KWOK WU	2,772,000 ^(v)	10,255,402 ^(vi)	6,118,999 ^(vii)	3,068,000 ^(iv)	22,214,401 ^(viii)	0.75%
David Yau-gay LUI	853	—	—	—	853	0.00%

Notes:

- (i) These HHI shares were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (ii) The interests in 2,772,000 HHI shares were interests held by Lady WU.
- (iii) The corporate interests in 10,124,999 HHI shares held by Sir Gordon WU included the corporate interests in 6,118,999 HHI shares referred to in Note (vii).
- (iv) The other interests in 3,068,000 HHI shares represented the interests held jointly by Sir Gordon WU and Lady WU.
- (v) The interests in 2,772,000 HHI shares were personal interests beneficially owned by Lady WU and represented the same block of shares as Note (ii).
- (vi) The family interests in 10,255,402 HHI shares represented the interests of Sir Gordon WU. This figure included 4,006,000 HHI shares held by Sir Gordon WU through corporations.

OTHER INFORMATION (continued)

- (vii) The corporate interests in 6,118,999 HHI shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.
- (viii) Sir Gordon WU and Lady 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 associates beneficially owned 600,000 ordinary shares of HCNH, an associated corporation of the Company, representing 50% of its issued share capital, through Hong Kong Insurance Agency Limited which was 100% owned by him together with his associates.

All the above interests in the shares of associated corporations were long positions.

Save as aforesaid, as at 31 December 2008, 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.

Share Options of the Company

The shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") effective on 1 November 2003. The 2003 Share Option Scheme will expire on 31 October 2013, but any options then outstanding will continue to be exercisable.

Details of the movement of share options under the 2003 Share Option Scheme during the period ended 31 December 2008 were as follows:

	Date of grant	Exercise price per share HK\$	Number of share options					Exercise period	Closing price before date of grant falling within the period HK\$	
			Outstanding at 01/07/2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/12/2008			
Directors										
Barry Chung Tat MOK	02/09/2005	19.94	1,900,000	—	1,900,000	—	—	02/03/2006–01/03/2009	N/A	
William Wing Lam WONG	10/10/2006	22.44	288,000	—	—	—	288,000	01/11/2007–31/10/2013	N/A	
Employees										
Employees	10/10/2006	22.44	6,688,200	—	362,000	332,800	5,993,400	01/11/2007–31/10/2013	N/A	
Employees	15/11/2007	36.10	5,248,000	—	—	176,000	5,072,000	01/12/2008–30/11/2014	N/A	
Employees	24/07/2008	26.35	—	1,788,000	—	—	1,788,000	01/08/2009–31/07/2015	26.25	
Total			14,124,200	1,788,000	2,262,000	508,800	13,141,400			

The weighted average closing price of the shares on the date immediately before the dates on which the options were exercised by the director during the period was HK\$24.63.

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised by the employees during the period was HK\$24.57.

The options granted on 8 September 2004 are exercisable from the date of grant while the options granted on 2 September 2005, 10 October 2006, 15 November 2007 and 24 July 2008 are exercisable in the following manner:

Maximum options exercisable	Exercise period
Granted on 2 September 2005	
50% of options granted	02/03/2006-01/03/2007
100%* of options granted	02/03/2007-01/03/2009
Granted on 10 October 2006	
20% of options granted	01/11/2007-31/10/2008
40%* of options granted	01/11/2008-31/10/2009
60%* of options granted	01/11/2009-31/10/2010
80%* of options granted	01/11/2010-31/10/2011
100%* of options granted	01/11/2011-31/10/2013
Granted on 15 November 2007	
20% of options granted	01/12/2008-30/11/2009
40%* of options granted	01/12/2009-30/11/2010
60%* of options granted	01/12/2010-30/11/2011
80%* of options granted	01/12/2011-30/11/2012
100%* of options granted	01/12/2012-30/11/2014
Granted on 24 July 2008	
20% of options granted	01/08/2009-31/07/2010
40%* of options granted	01/08/2010-31/07/2011
60%* of options granted	01/08/2011-31/07/2012
80%* of options granted	01/08/2012-31/07/2013
100%* of options granted	01/08/2013-31/07/2015

* including those not previously exercised

The fair value of the share options granted during the period with the exercise price per share of HK\$26.35 is estimated at approximately HK\$13.5 million at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$26.25 per share at the grant date, the historical volatility of share price of the Company of 33.54% which is based on the 7 years weekly historical volatility of the Company's share price as at 24 July 2008, expected life of options of 7 years, expected dividend yield of 3.01%, and the risk free rate of 3.598% with reference to the rate on the 7-year Exchange Fund Notes.

OTHER INFORMATION (continued)

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 share 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 16 July 2003 and approved by shareholders of the Company at an extraordinary general meeting held on 16 July 2003 (the “HHI Option Scheme”). The HHI Option Scheme will expire on 15 July 2013.
- (b) Details of the movement of share options under the HHI Option Scheme during the period ended 31 December 2008 were as follows:

	Date of grant	Exercise price per share HK\$	Number of share options					Exercise period	Closing price before date of grant falling within the period HK\$
			Outstanding at 01/07/2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31/12/2008		
Employees of HHI	17/10/2006	5.858	4,928,000	—	—	488,000	4,440,000	01/12/2007-30/11/2013	N/A
Employees of HHI	19/11/2007	6.746	760,000	—	—	—	760,000	01/12/2008-30/11/2014	N/A
Employees of HHI	24/07/2008	5.800	—	800,000	—	400,000	400,000	01/08/2009-31/07/2015	5.740
Total			5,688,000	800,000	—	888,000	5,600,000		

The options granted on 17 October 2006, 19 November 2007 and 24 July 2008 are exercisable in the following manner:

Maximum options exercisable	Exercise period
Granted on 17 October 2006	
20% of options granted	01/12/2007–30/11/2008
40%* of options granted	01/12/2008–30/11/2009
60%* of options granted	01/12/2009–30/11/2010
80%* of options granted	01/12/2010–30/11/2011
100%* of options granted	01/12/2011–30/11/2013
Granted on 19 November 2007	
20% of options granted	01/12/2008–30/11/2009
40%* of options granted	01/12/2009–30/11/2010
60%* of options granted	01/12/2010–30/11/2011
80%* of options granted	01/12/2011–30/11/2012
100%* of options granted	01/12/2012–30/11/2014
Granted on 24 July 2008	
20% of options granted	01/08/2009–31/07/2010
40%* of options granted	01/08/2010–31/07/2011
60%* of options granted	01/08/2011–31/07/2012
80%* of options granted	01/08/2012–31/07/2013
100%* of options granted	01/08/2013–31/07/2015

* including those not previously exercised

The fair value of the share options granted during the period with the exercise price per share of HK\$5.80 is estimated at approximately HK\$842,900 at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$5.80 per share at the grant date, the historical volatility of share price of HHI of 25.94% which is based on 5 years daily historical volatility of HHI's share price from the date of listing of HHI to 24 July 2008, expected life of options of 7 years, expected dividend yield of 4.66%, and the risk-free rate of 3.598% with reference to the rate on the 7-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 share 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.

OTHER INFORMATION (continued)

Share Awards of the Company

- (A) The Share Award Scheme of the Company (the "HHL Award Scheme") was adopted by the Board on 25 January 2007 ("HHL Adoption Date"). Unless terminated earlier by the Board, the HHL Award Scheme shall be valid and effective for a term of 15 years commencing on the HHL Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the HHL Adoption Date. A summary of some of the principal terms of the HHL Award Scheme is set out in (B) below.
- (B) The purpose of the HHL Award Scheme is to recognize the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentive in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Under the HHL Award Scheme, the Board (or where the relevant selected employee is a Director of the Company, the Remuneration Committee) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the HHL Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the HHL Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued share capital of the Company as at the date of such grant.

- (C) Details of the movement of share awards under the HHL Award Scheme for the period under review were set out below:

Vesting Date	Outstanding at 01/07/2008	Movements during the period			Outstanding at 31/12/2008
		Awarded	Vested	Lapsed	
Directors					
25/01/2009	322,000	—	—	—	322,000
Total	322,000	—	—	—	322,000
Weighted average fair value	HK\$23.22	—	—	—	HK\$23.22

- (D) During the period under review, the dividend income amounted to HK\$1,891,000 (2007: HK\$838,000) had been received in respect of the shares held upon the trust for the HHL Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash for the purchase of share which shall become returned shares for the purpose of the HHL Award Scheme, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash to the Company, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the remuneration committee of the board of the Company.

Share Awards of HHI

- (A) The Share Award Scheme of HHI (the “HHI Award Scheme”) was adopted by the board of directors of HHI (“HHI Board”) on 25 January 2007 (“HHI Adoption Date”). Unless terminated earlier by HHI Board, the HHI Award Scheme shall be valid and effective for a term of 15 years commencing on the HHI Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the HHI Adoption Date. A summary of some of the principal terms of the HHI Award Scheme is set out in (B) below.
- (B) The purpose of the HHI Award Scheme is to recognize the contributions by certain employees (including without limitation employees who are also directors) of HHI group and to give incentive in order to retain them for the continual operation and development of HHI group and to attract suitable personnel for further development of HHI group.

Under the HHI Award Scheme, the HHI Board (or where the relevant selected employee is a director of HHI, the Remuneration Committee of HHI) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the HHI Award Scheme and determine the number of shares to be awarded. The HHI Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the HHI Board under the HHI Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued share capital of HHI as at the date of such grant.

- (C) Details of the movement of share awards under the HHI Award Scheme for the period under review were set out below:

Vesting Date	Outstanding at 01/07/2008	Movements during the period			Outstanding at 31/12/2008
		Awarded	Vested	Lapsed	
Directors of HHI					
25/01/2009	340,000	—	—	—	340,000
Employee of HHI					
25/01/2009	40,000	—	—	—	40,000
Total	380,000	—	—	—	380,000
Weighted average fair value	HK\$5.94	—	—	—	HK\$5.94

- (D) During the period under review, the dividend income amounted to HK\$155,800 (2007: HK\$152,000) had been received in respect of the shares held upon the trust for the HHI Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash for the purchase of HHI Shares which shall become returned shares (i.e. the awarded shares which are not vested in accordance with the terms of the HHI Award Scheme whether as a result of a lapse or otherwise) for the purpose of the HHI Award Scheme and shall be held by the trustee for the benefit of one or more employees of HHI,

OTHER INFORMATION (continued)

or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash to HHI, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the remuneration committee of the board of HHI.

Substantial Shareholders

As at 31 December 2008, to the best knowledge of the Directors, the interests of persons (other than Directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of shares (corporate interests)	% of issued share capital
Capital Research and Management Company	Beneficial owner	44,487,300 ^(A)	5.04%
The Capital Group Companies, Inc.	Interests of controlled corporation	44,487,300 ^(A)	5.04%

Note:

- (A) The 44,487,300 shares were held by Capital Research and Management Company ("Capital Research"), a wholly-owned subsidiary of The Capital Group Companies, Inc. ("Capital Group"). The interests of Capital Research and Capital Group in 44,487,300 shares were long positions, represented the same block of shares and were deemed under the SFO to have same interests with each other.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under section 336 of the SFO as at 31 December 2008.

Purchase, Sale or Redemption of Securities

During the six months ended 31 December 2008, the Company repurchased 12,863,000 shares on the Stock Exchange at an aggregate consideration, including transaction costs, of HK\$301.9 million. All the repurchased shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$32,157,500 was credited to capital redemption reserve and the aggregate consideration was paid out from the Company's retained profits. Details of the repurchases are as follows:

Month of the repurchases	Total no. of ordinary shares repurchased	Lowest price paid per share HK\$	Highest price paid per share HK\$	Aggregate consideration paid (including transaction costs) HK\$
July 2008	743,000	25.65	27.35	19,619,000
August 2008	1,159,000	27.80	30.10	33,957,000
September 2008	1,637,000	25.15	28.10	44,425,000
October 2008	4,080,000	19.60	26.40	88,440,000
November 2008	2,438,000	18.80	23.85	51,583,000
December 2008	2,806,000	19.16	25.00	63,880,000
Total	12,863,000			301,904,000

The purchases were made for the benefit of the shareholders with a view to enhancing the earnings per share of the Group for future years.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2008.

Employees and Remuneration Policies

As at 31 December 2008, the Group has approximately 1,200 employees. Recognizing that talents are crucial to the Group's long-term development, the Group offers a repertoire of training programs to the employees during the period under review, with intent to enhance both personal and organizational effectiveness. Typical examples of training programs included High Impact Presentation Skills Training Workshop, Insurance Principles & Practices Workshop and Business Etiquette Training Workshop. The Group has also organized some seminars to enhance employees' knowledge regarding the legal regulations, processes and procedures in building construction development.

In July 2008, the Group hired 5 high potential graduates under an 18-month Management Trainee Program and offered them essential business knowledge and management skills from thoughtfully planned job rotations across different core-business units. In addition, in-house and external training were provided to develop their core competencies. They are also encouraged to pursue studies for relevant professional qualifications or external courses and undergo self-development by granting them financial subsidies.

OTHER INFORMATION (continued)

The Group believes when working under a healthier and safer environment, staff commitment and retention will be enhanced, and more productive the staff will be. During the period under review, strenuous effort was made to promote and achieve work-life balance by organizing a variety of recreation, safety and health care programs for the employees. The Group recently launched the Preparedness for Influenza Pandemic program and provided free vaccination to our hospitality employees. In addition, the Group provided opportunities for the employees and their families to serve the local community. These included our sponsorship and participation in the Walk for Million and Physically Handicapped & Able-Bodied Association Walk organized by the Community Chest and the Hong Kong PHAB Association.

In alignment with the “pay for performance” culture, the Group offers remuneration packages which reflect employees’ skills, knowledge and individual performance. The Group continues to provide competitive remuneration packages (including various fringe benefits including medical and personal accident insurance coverage) to employees based on the market practices and individual performance. In addition to the contractual bonus and the discretionary bonus which may be granted to the employees based on the individual performance and the Group’s performance, the Group has granted share options and share awards to employees to recognize the contributions by such employees of the Group, to retain quality staff and to attract suitable personnel for further development of the Group.

Corporate Governance

During the period under review, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions

The Company has adopted the Model Code as its model code for securities transactions by the Company’s Directors and an employees’ share dealing rule on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of unpublished price sensitive information. Based on the specific enquiries made of all Directors, each of the Directors has confirmed that he or she has complied fully with the required standard set out in the Model Code throughout the period under review.

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 have, following the listing of HHI on the Stock Exchange in 2003, 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.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 26 February 2009

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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

INTRODUCTION

We have reviewed the interim financial information set out on pages 33 to 53, which comprises the condensed consolidated balance sheet of Hopewell Holdings Limited and its subsidiaries as of 31 December 2008 and the related condensed consolidated income statement, condensed consolidated statement of recognised income and expense and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 February 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008

	<i>Notes</i>	<i>Six months ended</i>	
		<i>31.12.2007</i>	<i>31.12.2008</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(restated)</i>	
Turnover	3	445,286	493,035
Cost of sales and services		(266,027)	(237,521)
Other income	4	179,259	255,514
Selling and distribution costs		170,105	113,701
Administrative expenses		(18,332)	(19,904)
Other expenses		(137,044)	(163,918)
		—	(7,015)
Gain recognised on transfer of property to investment properties upon completion of development		371,408	510,847
Gain (loss) arising from changes in fair value of investment properties		130,150	(7,217)
Gain on disposal of jointly controlled entities and associates	5	4,741,457	—
Gain on disposal of available-for-sale investments		21,756	1,873
Gain on deemed disposal of partial interest in a listed subsidiary		117	—
Finance costs	6	(44,621)	(17,823)
Share of profits of			
— jointly controlled entities	7	510,448	561,183
— associates		5,381	5,527
Profit before taxation		5,930,084	1,232,768
Income tax expense	8	(273,946)	(139,967)
Profit for the period		5,656,138	1,092,801
Attributable to:			
Equity holders of the Company		5,267,723	931,295
Minority interests		388,415	161,506
		5,656,138	1,092,801
Dividends	9	1,051,674	4,258,573
Earnings per share	10	<i>HK\$</i>	<i>HK\$</i>
Basic		5.86	1.05
Diluted		5.83	1.05

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2008

	<i>Notes</i>	30.06.2008 HK\$'000 (audited)	31.12.2008 HK\$'000 (unaudited) (restated)
ASSETS			
Non-current Assets			
Investment properties	11	8,031,300	9,083,044
Property, plant and equipment	11	480,373	527,315
Prepaid land lease payments	11	969,341	911,711
Properties under development		442,648	321,096
Interests in jointly controlled entities	12	5,560,812	6,088,258
Interests in associates		22,833	26,212
Loan receivable		—	3,393
Available-for-sale investments		65,096	22,051
Loan to a jointly controlled entity		55,451	246
		15,627,854	16,983,326
Current Assets			
Inventories		18,457	23,840
Stock of properties			
— Under development		364,525	379,123
— Completed		17,593	33,499
Prepaid land lease payments	11	10,650	10,488
Trade and other receivables	13	1,117,363	527,188
Deposits and prepayments		46,115	52,242
Bank balances and cash held by:			
— Hopewell Highway Infrastructure Limited and its subsidiaries		5,997,274	2,923,226
— Other entities in the Group		4,785,087	2,712,052
		12,357,064	6,661,658
Total Assets		27,984,918	23,644,984

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2008

	Notes	30.06.2008 HK\$'000 (audited) (restated)	31.12.2008 HK\$'000 (unaudited)
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	14	2,230,806	2,204,304
Share premium and reserves	15	20,816,207	17,217,802
Equity attributable to equity holders of the Company		23,047,013	19,422,106
Share option reserve of a subsidiary	15	2,378	3,611
Share award reserve of a subsidiary	15	1,124	1,521
Minority interests	15	3,232,569	2,359,422
Total Equity		26,283,084	21,786,660
Non-current Liabilities			
Warranty provision		84,059	84,059
Deferred tax liabilities		877,174	1,003,210
Amount due to a minority shareholder of a subsidiary		59,979	60,954
		1,021,212	1,148,223
Current Liabilities			
Trade and other payables	16	489,000	511,738
Rental and other deposits		140,293	162,879
Amounts due to associates		9,865	8,472
Tax liabilities		41,464	27,012
		680,622	710,101
Total Liabilities		1,701,834	1,858,324
Total Equity and Liabilities		27,984,918	23,644,984

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 31 December 2008

	<i>Six months ended</i>	
	<i>31.12.2007</i>	<i>31.12.2008</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>(restated)</i>	
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	85,111	(34,883)
Gain (loss) arising from changes in fair value of available-for-sale investments	84,254	(21,178)
Deferred tax liabilities on changes in fair value of available-for-sale investments	(14,741)	—
Net income (expense) recognised directly in equity	154,624	(56,061)
Profit for the period	5,656,138	1,092,801
Translation reserve realised on disposal of a jointly controlled entity	(76,918)	—
Investment revaluation reserve transferred to profit or loss on disposal of available-for-sale investments	(21,756)	(1,873)
Reversal of deferred tax liabilities on disposal of available-for-sale investments	3,807	—
Total recognised income for the period	5,715,895	1,034,867
Attributable to:		
Equity holders of the Company	5,329,251	877,742
Minority interests	386,644	157,125
	5,715,895	1,034,867

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008

	<i>Note</i>	<i>Six months ended</i>	<i>31.12.2007</i>	<i>31.12.2008</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
Operating activities				
Cash generated from operations before income tax payments		106,492	60,100	
Tax paid		(25,166)	(28,390)	
Net cash from operating activities		81,326	31,710	
Investing activities				
Dividend received		357,439	594,122	
Acquisition of a subsidiary	20	—	(208,007)	
Net proceeds received on disposal of jointly controlled entities and associates		6,345,907	—	
Investments in jointly controlled entities		(391,762)	—	
Tax paid on disposal of a jointly controlled entity		(132,376)	—	
Repayment from jointly controlled entities		949,601	55,395	
Acquisition of available-for-sale investments		(44,024)	—	
Other investing cashflows		(146,264)	(87,568)	
Net cash from investing activities		6,938,521	353,942	
Financing activities				
Dividends and distributions paid to				
— shareholders		(1,051,674)	(4,258,573)	
— minority shareholders of subsidiaries		(170,100)	(1,013,702)	
Repurchase of shares		(2,798)	(296,814)	
Net proceed from issue of shares		21,753	45,976	
Other financing cashflows		9,362	(6,190)	
Net cash used in financing activities		(1,193,457)	(5,529,303)	
Net increase (decrease) in cash and cash equivalents		5,826,390	(5,143,651)	
Cash and cash equivalents at beginning of the period		5,757,579	10,782,361	
Effect of foreign exchange rate changes		20,580	(3,432)	
Cash and cash equivalents at end of the period		11,604,549	5,635,278	
Analysis of the balances of cash and cash equivalents				
Bank balances and cash		11,604,549	5,635,278	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2008 except as described below.

During the period, Hopewell Highway Infrastructure Limited ("HHI"), a non-wholly owned subsidiary of the Company whose shares are listed on the Hong Kong Stock Exchange, changed its functional currency from Hong Kong Dollar to Renminbi due to the change of the underlying investment activities and strategy of HHI. The effect of the change of the functional currency of HHI has been accounted for prospectively. All items of the financial statements of HHI were translated into Renminbi using the exchange rate at the date of change. The resulting translated amounts for non-monetary item are treated as their historical cost.

In the current interim period, the Group has applied, for the first time, the following amendments to the accounting standards and new interpretations issued by the HKICPA, which are effective for the Group's financial period beginning on 1 July 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In the current period, certain jointly controlled entities of the Group have applied HK(IFRIC)-Int 12 "Service Concession Arrangements" which is effective for the Group's financial periods beginning on or after 1 July 2008.

In accordance with HK(IFRIC)-Int 12, infrastructure within the scope of this interpretation is not recognised as property, plant and equipment of the operator but is recognised as an intangible asset in accordance with HKAS 38 "Intangible Assets" to the extent that the operator receives a right (a licence) to charge users of the public service. The financial impact on application of this interpretation is summarised below.

Summary of the effects of the changes in accounting policies of certain jointly controlled entities of the Group

The effects of changes in accounting policies described above on the results for the current and prior period by line items presented are as follows:

	<i>Six months ended</i>	
	31.12.2007	31.12.2008
	HK\$'000	HK\$'000
Increase in share of profit of jointly controlled entities	22,666	7,810
Increase in income tax expense	(1,133)	(390)
Increase in profit for the period	21,533	7,420

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Summary of the effects of the changes in accounting policies of certain jointly controlled entities of the Group (continued)

The effect of the application of HK(IFRIC)-Int 12 as at 30 June 2008 is summarised below:

	As at 30.6.2008 (originally stated) HK\$'000	Adjustments HK\$'000	As at 30.6.2008 (restated) HK\$'000
Balance sheet items			
Assets			
Interests in jointly controlled entities	5,703,370	(142,558)	5,560,812
Equity and liabilities			
Translation reserve	387,014	(20,068)	366,946
Retained profits	11,552,531	(79,569)	11,472,962
Minority interests	3,269,734	(37,165)	3,232,569
Deferred tax liabilities	882,930	(5,756)	877,174
	16,092,209	(142,558)	15,949,651

The effects of the application of HK(IFRIC)-Int 12 on the Group's equity at 1 July 2007 are summarised below:

	As at 1.7.2007 (originally stated) HK\$'000	Adjustments HK\$'000	As at 1.7.2007 (restated) HK\$'000
Translation reserve			
Translation reserve	176,114	(9,622)	166,492
Retained profits	7,891,295	(91,930)	7,799,365
Minority interests	3,058,754	(37,929)	3,020,825
	11,126,163	(139,481)	10,986,682

The effects of the application of HK(IFRIC)-Int 12 on the Group's basic and diluted earnings per share for the current and prior period are summarised below:

Impact on basic earnings per share

	<i>Six months ended</i> 31.12.2007 HK\$'000	31.12.2008 HK\$'000
Figures before adjustments	5.84	1.04
Adjustments arising from changes in accounting policies	0.02	0.01
Adjusted	5.86	1.05

Impact on diluted earnings per share

	<i>Six months ended</i> 31.12.2007 HK\$'000	31.12.2008 HK\$'000
Figures before adjustments	5.82	1.04
Adjustments arising from changes in accounting policies	0.01	0.01
Adjusted	5.83	1.05

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfer of Assets from Customers ⁵

¹ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The application of the amendment to HKAS 40 "Investment Property" which is contained in HKFRSs (Amendments) "Improvement to HKFRSs" may affect the accounting for property under construction or development for future use as an investment property of the Group. The amendment to HKAS 40 brings such property within the scope of HKAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with HKAS 16 "Property, Plant and Equipment". The amendment is to be applied prospectively and is effective for the Group's financial period beginning 1 July 2009.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENTS

Business Segments

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

Property investment	—	property letting, agency and management
Property development	—	development of properties
Toll road investment	—	investments in expressway projects
Hotel investment and management	—	hotel ownership and management
Restaurants and catering	—	restaurant operations and food catering
Power plant	—	power plant operation

Segment information about these businesses is presented below.

Segment turnover

	Six months ended 31.12.2007			Six months ended 31.12.2008		
	External HK\$'000	Inter-segment HK\$'000	Combined HK\$'000	External HK\$'000	Inter-segment HK\$'000	Combined HK\$'000
Property investment	229,416	15,043	244,459	275,070	20,950	296,020
Property development	5,760	—	5,760	765	—	765
Toll road investment	1,479	—	1,479	—	—	—
Hotel investment and management	112,014	12	112,026	121,712	29	121,741
Restaurants and catering	96,569	—	96,569	95,488	—	95,488
Power plant	—	—	—	—	—	—
Other operations	48	2,244	2,292	—	1,734	1,734
Eliminations	—	(17,299)	(17,299)	—	(22,713)	(22,713)
Total turnover	445,286	—	445,286	493,035	—	493,035

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

Segment results

	Profit (loss) for the six months ended 31.12.2007 (restated)				Profit (loss) for the six months ended 31.12.2008			
	Segment results HK\$'000	Jointly controlled entities HK\$'000	Associates HK\$'000	Total HK\$'000	Segment results HK\$'000	Jointly controlled entities HK\$'000	Associates HK\$'000	Total HK\$'000
Property investment								
— Operations	106,746	930	1,060	108,736	177,705	598	2,042	180,345
— Gain recognised on transfer of property to investment properties upon completion of development	371,408	—	—	371,408	510,847	—	—	510,847
— Gain (loss) arising from changes in fair value of investment properties	130,150	—	—	130,150	(7,217)	—	—	(7,217)
Property development	(6,657)	—	—	(6,657)	(17,414)	—	—	(17,414)
Toll road investment	(25,443)	509,518	—	484,075	(36,946)	587,344	—	550,398
Hotel investment and management	32,876	—	3,880	36,756	37,128	—	3,348	40,476
Restaurants and catering	8,177	—	—	8,177	6,592	—	—	6,592
Power plant	—	—	—	—	(131)	(26,759)	—	(26,890)
Other operations	(5,119)	—	441	(4,678)	(11,594)	—	137	(11,457)
	612,138	510,448	5,381	1,127,967	658,970	561,183	5,527	1,225,680

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

3. TURNOVER AND SEGMENTS (continued)

Business Segments (continued)

Segment results (continued)

	<i>Six months ended</i>	<i>31.12.2007</i>	<i>31.12.2008</i>
	HK\$'000	HK\$'000	
	(restated)		
Segment results			
Company and subsidiaries	612,138	658,970	
Interest and other income	150,995	105,878	
Exchange gains, net	13,044	310	
Unallocated corporate expenses	(80,631)	(83,150)	
	695,546	682,008	
Gain on disposal of jointly controlled entities and associates	4,741,457	—	
Gain on disposal of available-for-sale investments	21,756	1,873	
Gain on deemed disposal of partial interest in a listed subsidiary	117	—	
Finance costs	(44,621)	(17,823)	
Share of profits of			
— jointly controlled entities	510,448	561,183	
— associates	5,381	5,527	
Profit before taxation	5,930,084	1,232,768	

The share of profits of jointly controlled entities and associates shown above includes share of tax of jointly controlled entities and associates of approximately HK\$58,960,000 (six months ended 31.12.2007: HK\$142,140,000) and HK\$140,000 (six months ended 31.12.2007: HK\$311,000) respectively.

Geographical Segments

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

	<i>Six months ended</i>	<i>31.12.2007</i>	<i>31.12.2008</i>
	HK\$'000	HK\$'000	
Hong Kong			491,205
The People's Republic of China (the "PRC")	434,552	10,734	1,830
	445,286		493,035

4. OTHER INCOME

	<i>Six months ended</i>	<i>31.12.2007</i>	<i>31.12.2008</i>
	HK\$'000	HK\$'000	
Other income includes:			
Interest on bank deposits	149,806	105,878	
Exchange gains, net	13,044	310	

5. GAIN ON DISPOSAL OF JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

	<i>Six months ended</i>	
	31.12.2007	31.12.2008
	HK\$'000	HK\$'000
Gain on disposal of a jointly controlled entity and associates engaging in property development and property management (<i>Note a</i>)	3,948,285	—
Gain on disposal of a jointly controlled entity engaging in the operation of an expressway (<i>Note b</i>)	793,172	—
	4,741,457	—

Notes:

- (a) During the prior period, the Group disposed of its equity interest in, and loans to, a subsidiary of the Company, Nomusa Limited ("Nomusa"), which is principally engaged in investment holding, and its equity interests in two associates, namely, Nova City Property Management Limited ("Nova City") and Nova Taipa Gardens Property Management Limited ("Nova Gardens"), which are principally engaged in property management, to a fellow subsidiary of a shareholder of the Group's jointly controlled entity, Nova Taipa-Urbanizacoes Limitada ("Nova Taipa"), for a total consideration of HK\$4,580 million. The sole assets of Nomusa are the 50% equity interest in, and loans to Nova Taipa, which is principally engaged in property development. The disposal gave rise to a gain amounting to HK\$3,948 million which was recognised in the Group's condensed consolidated income statement for the six months ended 31 December 2007.
- (b) During the prior period, the Group disposed of its entire interest in a jointly controlled entity, Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV"), for a consideration of RMB1,712.55 million. Ring Road JV is principally engaged in the construction, operation and management of the Guangzhou East-South-West Ring Road in the PRC. The disposal gave rise to a gain amounting to HK\$793 million which was recognised in the Group's condensed consolidated income statement for the six months ended 31 December 2007.

6. FINANCE COSTS

	<i>Six months ended</i>	
	31.12.2007	31.12.2008
	HK\$'000	HK\$'000
Loan arrangement fees and related charges	23,711	16,848
Imputed interest on amount due to a minority shareholder of a subsidiary	—	975
Interest reimbursed to a jointly controlled entity	20,910	—
	44,621	17,823

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

7. SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

	<i>Six months ended</i> 31.12.2007 HK\$'000 (restated)	31.12.2008 HK\$'000
Share of profits of jointly controlled entities before interest income from loans to, and amortisation of additional cost of investments in, jointly controlled entities	536,541	601,218
Interest income from loans to, and registered capital contribution made to, jointly controlled entities	19,977	2,057
Amortisation of additional cost of investments in jointly controlled entities	(46,070)	(42,092)
	510,448	561,183

8. INCOME TAX EXPENSE

	<i>Six months ended</i> 31.12.2007 HK\$'000 (restated)	31.12.2008 HK\$'000
Hong Kong Profits Tax		
Current period	17,991	14,992
Overprovision in respect of prior periods	(27)	(1,136)
	17,964	13,856
Taxation elsewhere		
Current period	155,998	75
Deferred tax	99,984	126,036
	273,946	139,967

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (six months ended 31.12.2007: 17.5%) of the estimated assessable profit for the period.

Taxes on profits assessable elsewhere are calculated at tax rates prevailing in the countries in which the Group operates.

Deferred tax for the current period is mainly attributable to the net fair value gain of investment properties and withholding tax on undistributed earnings of certain jointly controlled entities established in the PRC.

9. DIVIDENDS

	<i>Six months ended</i> 31.12.2007 HK\$'000	31.12.2008 HK\$'000
Dividends recognised as distribution during the period		
Final dividend for the year ended 30 June 2008 of HK40 cents per share (six months ended 31.12.2007: for the year ended 30 June 2007 of HK82 cents per share)	737,658	355,626
Special final dividend for the year ended 30 June 2008 of HK110 cents per share (six months ended 31.12.2007: for the year ended 30 June 2007 of HK35 cents per share)	314,854	977,971
Special interim dividend for the year ending 30 June 2009 of HK330 cents per share	—	2,926,867
	1,052,512	4,260,464
Less: Dividends for shares held by Hopewell Holdings Limited ("HHL") Employees' Share Award Scheme Trust	(838)	(1,891)
	1,051,674	4,258,573
Dividends declared		
Cash dividend:		
Interim dividend for the year ending 30 June 2009 of HK40 cents per share (six months ended 31.12.2007: for the year ended 30 June 2008 of HK55 cents per share)	494,274	352,110
Special interim dividend for the year ending 30 June 2009: Nil (six months ended 31.12.2007: for the year ended 30 June 2008 of HK55 cents per share)	494,274	—
	988,548	352,110
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust	(433)	(29)
	988,115	352,081

Subsequent to 31 December 2008, the directors declared that an interim cash dividend of HK40 cents per share. In addition to the cash dividend, the directors declared a special interim dividend by way of distribution in specie of 1 share in HHI for every whole multiple of 10 shares in the Company held. The interim dividends declared in respect of the financial year ending 30 June 2009 shall be paid to the shareholders of the Company whose names appear on the Register of Members on 19 March 2009.

The interim cash dividend declared is calculated based on the number of shares in issue, less the dividend for shares held by HHL Employees' Share Award Scheme Trust, at the date of approval of this interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

10. EARNINGS PER SHARE

	<i>Six months ended</i> 31.12.2007 HK\$'000 (restated)	31.12.2008 HK\$'000
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to equity holders of the Company	5,267,723	931,295
Effect of dilutive potential ordinary shares of a subsidiary, HHI:		
Adjustment to the Group's results arising from a dilution of HHI's earnings attributable to share options issued and shares awarded	(433)	—
Earnings for the purpose of diluted earnings per share	5,267,290	931,295

	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	899,051,684	887,639,488
Effect of dilutive potential ordinary shares:		
Share options	3,444,460	643,095
Award shares	586,816	382,053
Weighted average number of ordinary shares for the purpose of diluted earnings per share	903,082,960	888,664,636

The weighted average number of ordinary shares shown above has been arrived at after deducting 394,000 shares (six months ended 31.12.2007: 716,000 shares) held by HHL Employees' Share Award Scheme Trust.

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

The fair value of the Group's investment properties at 31 December 2008 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenam Tie Leung Limited ("DTZ"), an independent firm of professional property valuers not connected to the Group. For office premises, serviced apartments, car parks and retail outlets, the valuation is arrived at by using direct comparison method by making reference to comparable sales transactions as available in the relevant market or, where appropriate, by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. For convention and exhibition venue, the valuation is arrived at by capitalising the estimated annual net income, and based on valuer's opinion as to the future trading potential and level of turnover likely to be achieved.

The development of a property of the Group was completed during the period. Such property, which is held to earn rentals and for capital appreciation purposes, has been reclassified from properties under development and prepaid land lease payments with total carrying amounts of HK\$359 million to investment properties. Gain on transfer of this completed property to investment property amounting to HK\$511 million has been recognised in the condensed consolidated income statement of the Group for the current period.

In addition, during the period, the Group acquired investment properties of HK\$210 million from certain directors of the Company, details of the acquisition are disclosed in note 20.

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

	<i>Six months ended</i> 31.12.2007 HK\$'000	31.12.2008 HK\$'000
Amortisation of prepaid land lease payments	5,711	5,244
Less: Amortisation capitalised on properties under development	(3,923)	(3,898)
Depreciation of property, plant and equipment	1,788	1,346
	17,597	20,537

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	30.6.2008 HK\$'000	31.12.2008 HK\$'000 (restated)
Expressway projects in the PRC		
Unlisted investments, at cost		
Registered capital contribution	1,089,843	1,089,843
Additional cost of investments	2,756,569	2,756,335
Share of post-acquisition reserves	3,846,412	3,846,178
Less: Accumulated amortisation	1,736,979 (698,316)	2,330,792 (740,408)
	4,885,075	5,436,562
Power plant project in the PRC		
Unlisted investment, at cost		
Registered capital contribution	631,867	631,867
Share of post-acquisition reserves	32,411	7,772
	664,278	639,639
Other unlisted investments	11,459	12,057
	5,560,812	6,088,258

13. 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 net of allowance for doubtful debts at the balance sheet date:

	30.6.2008 HK\$'000	31.12.2008 HK\$'000
Receivables aged		
0-30 days	18,039	21,104
31-60 days	8,005	7,030
Over 60 days	7,232	4,344
	33,276	32,478
Less: Allowance for doubtful debts	(1,136)	(1,652)
	32,140	30,826
Interest receivable on bank deposits	4,769	3,543
Dividend receivable from a jointly controlled entity	1,080,454	488,480
Other receivables	—	4,339
	1,117,363	527,188

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

14. SHARE CAPITAL

	Number of shares		Nominal value
	30.6.2008 '000	31.12.2008 '000	30.6.2008 HK\$'000
			31.12.2008 HK\$'000
Ordinary shares of HK\$2.50 each			
Authorised	1,200,000	1,200,000	3,000,000
Issued and fully paid	892,322	881,721	2,230,806
			3,000,000
			2,204,304

During the period, the Company issued 1,900,000 and 362,000 ordinary shares at the subscription prices of HK\$19.94 each and HK\$22.44 each, respectively, for a total cash consideration of HK\$46 million upon the exercise of the share options previously granted. These shares rank pari passu in all respects with the existing ordinary shares.

During the period, the Company repurchased 12,863,000 ordinary shares of the Company on the Hong Kong Stock Exchange for a total consideration of HK\$301.9 million. Out of the 12,863,000 repurchased ordinary shares, 12,658,000 repurchased ordinary shares were cancelled during the period and the remaining 205,000 repurchased ordinary shares were cancelled subsequent to the balance sheet date. The issued share capital of the Company has been reduced by the par value of the total repurchased ordinary shares.

Share option schemes

(a) The Company

During the period, the Company granted options to certain employees to subscribe for a total of 1,788,000 ordinary shares in the Company at the subscription price of HK\$26.35 per share.

During the period, the Company issued 1,900,000 and 362,000 ordinary shares at the subscription prices of HK\$19.94 each and HK\$22.44 each, respectively, for a total cash consideration of HK\$46 million upon the exercise of the share options previously granted. These shares rank pari passu in all respects with the existing ordinary shares.

(b) HHI

During the period, HHI granted options to certain employees to subscribe for a total of 800,000 ordinary shares in HHI at the subscription price of HK\$5.8 per share.

Share award schemes

(a) The Company

There were no changes in the shares awarded by the Company during the period.

(b) HHI

There were no changes in the shares awarded by HHI during the period.

15. SHARE PREMIUM AND RESERVES

Attributable to equity holders of the Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Shares held for share award scheme HK\$'000	Retained profits HK\$'000	Total HK\$'000	Share option reserve of a subsidiary HK\$'000	Share award reserve of a subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 July 2007 (as originally stated)	8,684,344	4,748	83,010	176,114	79,529	—	19,056	5,626	(21,668)	7,891,295	16,922,054	1,268	1,043	3,058,754	19,983,119
Effect of changes in accounting policies (note 2)	—	—	—	(9,622)	—	—	—	—	—	(91,930)	(101,552)	—	—	(37,929)	(139,481)
At 1 July 2007 (as restated)	8,684,344	4,748	83,010	166,492	79,529	—	19,056	5,626	(21,668)	7,799,365	16,820,502	1,268	1,043	3,020,825	19,843,638
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates (as restated)	—	—	—	65,989	—	—	—	—	—	—	65,989	—	—	19,122	85,111
Gain arising from changes in fair value of available- for-sale investments	—	—	—	—	—	84,254	—	—	—	—	84,254	—	—	—	84,254
Deferred tax liabilities on changes in fair value of available-for-sale investments	—	—	—	—	—	(14,741)	—	—	—	—	(14,741)	—	—	—	(14,741)
Net income recognised directly in equity (as restated)	—	—	—	65,989	—	69,513	—	—	—	—	135,502	—	—	19,122	154,624
Profit for the period (as restated)	—	—	—	—	—	—	—	—	—	5,267,723	5,267,723	—	—	388,415	5,656,138
Translation reserves realised on disposal of interest in a jointly controlled entity	—	—	—	(56,025)	—	—	—	—	—	(56,025)	—	—	(20,893)	(76,918)	
Transferred to condensed consolidated income statement on disposal of available-for-sale investments	—	—	—	—	—	(21,756)	—	—	—	(21,756)	—	—	—	(21,756)	
Reversal of deferred tax liabilities on disposal of available-for-sale investments	—	—	—	—	—	3,807	—	—	—	—	3,807	—	—	—	3,807
Total recognised income for the period (as restated)	—	—	—	9,964	—	51,564	—	—	—	5,267,723	5,329,251	—	—	386,644	5,715,895
Issue of shares	23,241	—	—	—	—	(4,014)	—	—	—	19,227	(50)	—	—	—	19,177
Shares issue expenses	(19)	—	—	—	—	—	—	—	—	—	(19)	—	—	—	(19)
Repurchase of shares	—	205	—	—	—	—	—	—	—	(2,798)	(2,593)	—	—	—	(2,593)
Recognition of equity-settled share-based payments	—	—	—	—	—	10,498	5,361	—	—	15,859	1,019	1,296	844	19,018	
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	(170,100)	(170,100)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,434)	(8,434)
Deemed disposal of interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	302	302
Change in profit sharing of a jointly controlled entity	—	—	—	(2,534)	(3,100)	—	—	—	—	(5,634)	—	—	(2,095)	(7,729)	
Contribution from equity participants	—	—	—	—	—	—	—	—	—	—	—	—	—	33,721	33,721
Transfers between reserves	—	—	—	—	5,287	—	—	—	—	(5,287)	—	—	—	—	—
Dividends recognised as distribution during the period (note 9)	—	—	—	—	—	—	—	—	—	(1,051,674)	(1,051,674)	—	—	—	(1,051,674)
At 31 December 2007 (as restated)	8,707,566	4,953	83,010	173,922	81,716	51,564	25,540	10,987	(21,668)	12,007,329	21,124,919	2,237	2,339	3,261,707	24,391,202

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

15. SHARE PREMIUM AND RESERVES (continued)

Attributable to equity holders of the Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Shares held for share award scheme HK\$'000	Retained profits HK\$'000	Total HK\$'000	Share option reserve of a subsidiary HK\$'000	Share award reserve of a subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 July 2008 (as originally stated)	8,716,920	25,933	83,010	387,014	81,952	10,875	26,418	37,806	5,308	(11,923)	11,552,531	20,915,844	2,378	1,124	3,269,734	24,189,080
Effect of changes in accounting policies (note 2)	—	—	—	(20,068)	—	—	—	—	—	—	(79,569)	(99,637)	—	—	(37,165)	(136,802)
At 1 July 2008 (as restated)	8,716,920	25,933	83,010	366,946	81,952	10,875	26,418	37,806	5,308	(11,923)	11,472,962	20,816,207	2,378	1,124	3,232,569	24,052,278
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	—	—	—	(30,502)	—	—	—	—	—	—	(30,502)	—	—	—	(4,381)	(34,883)
Loss arising from changes in fair value of available-for-sale investments	—	—	—	—	—	—	(21,178)	—	—	—	(21,178)	—	—	—	—	(21,178)
Net expense recognised directly in equity	—	—	—	(30,502)	—	—	(21,178)	—	—	—	(51,680)	—	—	—	(4,381)	(56,061)
Profit for the period	—	—	—	—	—	—	—	—	—	—	931,295	931,295	—	—	161,506	1,092,801
Transfer to condensed consolidated income statement on disposal of available-for-sale investments	—	—	—	—	—	—	(1,873)	—	—	—	(1,873)	—	—	—	—	(1,873)
Total recognised income for the period	—	—	—	(30,502)	—	—	(23,051)	—	—	—	931,295	877,742	—	—	157,125	1,034,867
Issue of shares	47,314	—	—	—	—	—	(6,958)	—	—	—	40,356	—	—	—	—	40,356
Shares issue expenses	(35)	—	—	—	—	—	—	—	—	—	(35)	—	—	—	—	(35)
Repurchase of own shares	—	32,157	—	—	—	—	—	—	—	—	(301,904)	(269,747)	—	—	—	(269,747)
Repurchase of HHI's shares	—	—	—	—	—	—	—	—	—	—	(4,692)	(4,692)	—	—	(15,976)	(20,668)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	14,674	1,870	—	—	16,544	1,233	397	599	18,773
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,013,702)	(1,013,702)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,193)	(1,193)
Transfers between reserves	—	—	—	—	440	—	—	—	—	—	(440)	—	—	—	—	—
Dividends recognised as distribution during the period (note 9)	—	—	—	—	—	—	—	—	—	—	(4,258,573)	(4,258,573)	—	—	—	(4,258,573)
At 31 December 2008	8,764,199	58,090	83,010	336,444	82,392	10,875	3,367	45,522	7,178	(11,923)	7,838,648	17,217,802	3,611	1,521	2,359,422	19,582,356

16. TRADE AND OTHER PAYABLES

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

	30.6.2008 HK\$'000	31.12.2008 HK\$'000
Payables due		
0-30 days	226,141	224,082
31-60 days	5,109	17,613
Over 60 days	79,299	119,315
	310,549	361,010
Retentions payable	36,004	10,179
Accrued construction costs	127,148	123,192
Accrued long service payment and leave pay	15,299	17,357
	489,000	511,738

17. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2008 amounted to approximately HK\$22,935 million (30.6.2008: restated HK\$27,304 million).

The net current assets of the Group at 31 December 2008 amounted to approximately HK\$5,952 million (30.6.2008: HK\$11,676 million).

18. PROJECT COMMITMENTS

(a) Property development

	30.6.2008 HK\$'000	31.12.2008 HK\$'000
Projects undertaken by the Group		
Contracted for but not provided	150,638	512,483

(b) Property renovation

	30.6.2008 HK\$'000	31.12.2008 HK\$'000
Property renovation expenditure		
Contracted for but not provided	9,551	434

(c) Commercial and hotel property project

During the year ended 30 June 2008, the Group entered into a cooperative agreement with a PRC party to develop and lease a commercial and hotel complex property in Guangzhou, the PRC. Under the agreement, the Group is mainly responsible for the fitting-out of the property and the purchase of machinery and equipment required for the operation of the property at an estimated total costs of not less than RMB1,000 million. Upon the completion of the property development, the Group is entitled to operate the property for a specified period by paying fixed amounts of monthly rental, which will be increased progressively with a maximum annual rental of RMB178 million. Total rental payable under the operating period is approximately RMB3,500 million. Up to the balance sheet date, the Group had not incurred any cost for this property project.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

18. PROJECT COMMITMENTS (continued)

(d) Expressway projects

At 31 December 2008, the Group had outstanding commitments to make capital contribution to a jointly controlled entity, Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") for the development of Phase II of the Western Delta Route in the PRC ("Phase II West") of approximately RMB499 million (30 June 2008: RMB96 million).

At 31 December 2008, the Group had agreed, subject to approval of the relevant PRC authorities, to make capital contribution to West Route JV for the development of Phase III of the Western Delta Route of approximately RMB980 million (30 June 2008: RMB571 million).

In addition to the above, the Group's attributable share of the commitment of certain jointly controlled entities of the Group in respect of the acquisition of property and equipment, and construction of Phase II West contracted for but not provided totalling approximately HK\$1,854 million at 31 December 2008 (30 June 2008: HK\$1,658 million).

(e) Power plant project

The Group's share of the commitment of the joint venture company in respect of the development of the power plant is as follows:

	30.6.2008 HK\$'000	31.12.2008 HK\$'000
Contracted for but not provided	733,544	519,500

Save as disclosed herein, there have been no material changes in the Group's project commitments since 30 June 2008.

19. CONTINGENT LIABILITIES

A subsidiary of the Company acted as guarantor for the repayment of the mortgage bank loans granted to purchasers of the subsidiary's properties amounted to HK\$4 million at 31 December 2008 (30 June 2008: HK\$7 million).

Save as disclosed herein, there have been no material changes in the Group's contingent liabilities since 30 June 2008.

20. ACQUISITION OF A SUBSIDIARY

On 1 August 2008, the Group acquired 100% of the issued share capital of Mingway Company, Limited from certain directors of the Company for a total consideration of HK\$208 million. This consideration was arrived at by reference to the fair value of the underlying investment properties on date of acquisition as valued by DTZ. This acquisition has been accounted for as acquisition of assets as Mingway Company, Limited is principally engaged in property investment and only holds certain commercial units at Wu Chung House, No. 213 Queen's Road East, Wanchai, Hong Kong.

The net assets acquired in the transaction are as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Investment properties	210,000
Trade and other receivables	825
Bank balances	393
Trade and other payables	(216)
Rental and other deposits	(2,602)
	208,400
Total consideration satisfied by:	
Cash	208,400
Net cash outflow arising on acquisition:	
Cash consideration paid	208,400
Bank balances acquired	(393)
	208,007

21. RELATED PARTIES TRANSACTIONS

The major balances and transactions with related parties are disclosed in the condensed consolidated balance sheet and note 20 respectively.

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. Thomas Jefferson WU
Co-Managing Director

Mr. Josiah Chin Lai KWOK
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. Eddie Wing Chuen HO Junior

Mr. Lee Yick NAM##

Mr. Barry Chung Tat MOK

Mr. William Wing Lam WONG

* 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, Hong Kong
Tel: (852) 2528 4975
Fax: (852) 2861 2068

Solicitors

Woo, Kwan, Lee & Lo

Auditor

Deloitte Touche Tohmatsu

Listing Information

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

Key Dates

Interim results announcement
Closure of Register

Interim cash dividend payable
(HK40 cents per ordinary share)

Special interim dividend by way of distribution
in species of 1 share in HHI for every whole multiple
of 10 shares in the Company

Principal Bankers⁺

Agricultural Bank of China

Bank of China Limited

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 CITIC Bank Corporation Limited

China Construction Bank Corporation

China Development Bank

China Merchants Bank Co., Limited

Chong Hing Bank Limited

Citibank, N.A.

DBS Bank Limited

Export Development Canada

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

Hua Nan Commercial Bank, Limited

Industrial and Commercial Bank of China Limited

Industrial and Commercial Bank of China

(Asia) Limited

Luso International Banking Limited

Malayan Banking Berhad

Mizuho Corporate Bank, Limited

Nanyang Commercial Bank, Limited

Oversea-Chinese Banking Corporation Limited

Shanghai Commercial Bank Limited

Shenzhen Development Bank

Sumitomo Mitsui Banking Corporation

Tai Fung Bank Limited

Wing Lung Bank Limited

+ names are in alphabetical order

Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

Tel : (852) 2862 8555 Fax : (852) 2529 6087

American Depository Receipt

CUSIP No. 439555301

Trading Symbol HOWFY

ADR to share ratio 1:1

Depository Bank Citibank, N.A., U.S.A.

Investor Relations

Investor Relations Manager

Tel : (852) 2863 4340 Fax : (852) 2861 2068

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Web Page

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Note: In the case of any inconsistency between the Chinese translation and the English text of this Interim Report, the English text shall prevail.



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