

Group Results

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

Overview

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

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

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

Group Results (continued)

Notes:

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

Impact of New Accounting Standards

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

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

Notes:

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

Group Results (continued)

Turnover

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

Earnings before Interest and Tax

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

Exceptional Items

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

Net Profit Attributable to Equity Holders of the Company

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

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