

GROUP RESULTS

Overview

For the year ended 30th June, 2006, the Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

<i>In HK\$ million</i>	Turnover (Note 1)		Earnings before interest & tax (Note 2 & 3)	
	2005	2006	2005	2006
Infrastructure project investment	52	115	905	1,083
Property letting, agency & management	290	331	166	188
Hotel operations, restaurant & catering	331	377	49	73
Property development	–	108	76	48
Others	5	–	(19)	129
	678	931	1,177	1,521
Share of turnover of jointly controlled entities				
Infrastructure project investment	1,514	1,735		
Property development	103	56		
	2,295	2,722		

<i>In HK\$ million</i>	Results (Note 2)	
	2005	2006
Earnings before interest & tax (Note 3)	1,177	1,521
Exceptional items (Note 4)	951	806
Fair value change on Group's investment properties		
– Revaluation increase	281	405
– Attributable tax effect	(48)	(71)
Finance costs	(92)	(62)
Taxation	(25)	3
Net profit	2,244	2,602
Attributable to:		
Equity holders of the Company	1,907	2,250
Minority interests (Note 4)	337	352
	2,244	2,602

Notes:

- Turnover represented the sum of the Group's turnover of HK\$931 million (2005: HK\$678 million) plus the Group's attributable share of turnover of jointly controlled entities engaging in infrastructure project investment of HK\$1,735 million (2005: HK\$1,514 million) and property development business of HK\$56 million (2005: HK\$103 million).
- The comparative figures of the last year have been restated following the adoption of the New Accounting Standards in the current year.
- Earnings before interest & tax represented the sum of (i) profit from operations before changes in fair value of investment properties and exceptional items of HK\$490 million (2005: HK\$184 million); and (ii) share of profits of jointly controlled entities and associates of HK\$1,031 million (2005: HK\$993 million).
Following the adoption of HKAS 1, the Group's share of taxation of jointly controlled entities and associates for the current year of HK\$112 million (2005: HK\$72 million) are presented net of the share of profits of jointly controlled entities and associates.
- The amount included exceptional gain on disposal of a power plant project attributable to minority interests of HK\$41 million (2005: HK\$91 million).

Impact of New Accounting Standards

New accounting standards, reporting standards and interpretations (“New Accounting Standards”) issued by The Hong Kong Institute of Certified Public Accountants were adopted for the year under review. The table below illustrates the effects of the New Accounting Standards on the results of the Group for the year ended 30th June, 2006.

<i>In HK\$ million</i>	2005	2006
Profit attributable to equity holders before adoption of New Accounting Standards	1,662	1,869
(a) Fair value changes on investment properties (less attributable deferred tax provision)		
– The Group	233	334
– Jointly controlled entity/associate	24	(1)
(b) Revaluation deficit of prior period in respect of a disposed investment property	–	67
(c) Depreciation on hotel property and owner-occupied properties (net of attributable decrease in deferred tax provision)	(12)	(12)
(d) Fair value adjustment on interest free loans receivable	–	(2)
(e) Share-based payments	–	(5)
Profit attributable to equity holders after adoption of New Accounting Standards	1,907	2,250

Notes:

- (a) *In prior financial periods, surpluses or deficits arising on the open-market revaluation 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 year increased by HK\$334 million (2005: HK\$233 million). With the adoption of HKAS-Int 21, deferred tax charge of HK\$71 million (2005: HK\$48 million) has been provided for on the fair value increase on investment properties.*
- (b) *In prior financial periods, any surpluses or deficits which were credited or charged to the investment property revaluation reserve had to be transferred to income statement upon disposal. Following the adoption of HKAS 40, the transfer of revaluation deficit to income statement of HK\$67 million (2005: Nil) attributable to a disposed investment property in the current year is no longer required.*
- (c) *Following the adoption of HK Int-2, depreciation has to be charged on 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 amounted to HK\$14 million (2005: HK\$14 million). The resulting decrease in deferred tax provision amounted to HK\$2 million (2005: HK\$2 million).*
- (d) *With the adoption of HKAS 39, certain interest free loans receivable are measured at fair value on initial recognition and stated at amortized cost using the effective interest method at subsequent balance sheet dates and resulted in a decrease of net profit after minority interests of HK\$2 million (2005: Nil).*
- (e) *The adoption of HKFRS 2 has resulted in the fair value of share options granted during the year under review being recognized in the income statement as expenses over the vesting period. The expense charged to income statement amounted to HK\$5 million (2005: Nil).*

Turnover

Turnover for the year ended 30th June, 2006, including the Group's proportionate share of turnover of jointly controlled entities engaging in toll expressway and property development businesses, was HK\$2,722 million, a 19% increase as compared with HK\$2,295 million of last year. The increase was the result of revenue growth of all business segments, in particular, the expressway businesses. The Group's attributable share of net toll revenue of the three toll expressways under operation, namely Guangzhou-Shenzhen Superhighway, Guangzhou East-South-West Ring Road and Phase I of the Western Delta Route, amounted to HK\$1,735 million for the year under review, representing a 15% increase over HK\$1,514 million of the last year.

Earnings before Interest and Tax

The Group's earnings before interest and tax ("EBIT") increased by 29% to HK\$1,521 million from HK\$1,177 million of the last year. The increase was mainly attributable to the prominent growth of our core businesses including infrastructure, property and hospitality, totalling HK\$224 million as well as disposal gain of securities investment, increase in interest income and exchange gain totalling HK\$90 million.

Exceptional Items

The gain from exceptional items was HK\$806 million as compared to HK\$951 million of the previous year. The amount included, inter alia, (i) gain on disposal of interests in Shunde Roads project of HK\$245 million (2005: HK\$496 million); (ii) gain on disposal of interests in Hopewell (Thailand) Limited ("HTL") of HK\$265 million (2005: Nil); (iii) gain on disposal of interests in a power plant project of HK\$186 million (2005: HK\$449 million); and (iv) write back of warranty provision of HK\$80 million (2005: Nil).

Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders was HK\$2,250 million, representing an increase of 18% over HK\$1,907 million of the last year. Excluding the effects of the fair value change on investment properties, the Group's net profit attributable to equity holders would be HK\$1,917 million, a 16% increase over HK\$1,650 million of the last year.

Liquidity and Financial Resources

The Group maintains a strong financial position with net cash balances (including HK\$3,014 million held by Hopewell Highway Infrastructure Limited ("HHI")), of HK\$3,650 million as at 30th June, 2006 (2005: HK\$3,329 million).

In October 2005, the Group's listed subsidiary, HHI, successfully obtained a 5-year HK\$3,600 million unsecured syndicated bank revolving credit and term loan facility from a group of 15 international and local banks. In June 2006, the Group has entered into a HK\$5,350 million five-year syndicated revolving loan facility agreement with 17 international and local banks.



As at 30th June, 2006, the Group's total available and undrawn general banking facilities and project loan facilities, together with deposits and cash holdings, amount to approximately HK\$17,874 million (2005: HK\$8,897 million).

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

Treasury Policies

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

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

In terms of the bank borrowings, the Group has no significant exposure to foreign exchange risk given the majority of the Group's banking facilities were denominated in Hong Kong dollars. The bank borrowings are principally arranged on a floating rate basis. As at 30th June, 2006, the Group has no bank borrowings. The bank loan of HK\$55 million outstanding at 30th June, 2005 has a maturity period of three years.

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

<i>In HK\$ million</i>	<i>As at 30th June,</i>	
	<i>2005</i>	2006
	<i>(Note)</i>	
Equity attributable to equity holders of the Company	15,466	17,234
Minority interests	2,469	2,862
Total Equity	17,935	20,096
Bank Borrowings	55	–
Total Capitalization	17,990	20,096

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

Project Commitments

Details of the project commitments are set out in note 45 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities are set out in note 47 to the financial statements.

Charges on Assets

As at 30th June, 2006, no mortgage was charged on the Group's assets.

Material Acquisition or Disposal

Other than the disposal of HTL as mentioned above, there was no material acquisition or disposal of the Company's subsidiaries and associates during the year ended 30th June, 2006.