

Operations Review

The Group's investment portfolio of rental properties includes Hopewell Centre, Hongkong International Trade and Exhibition Centre, shopping arcades of Panda Hotel and Allway Gardens, three floors of Hing Wai Centre at Aberdeen and various car parking spaces at Allway Gardens, Wu Chung House and Hing Wai Centre. Turnover of the property division amounted to HK\$291 million, compared with HK\$328 million of last financial year, representing 45% of the Group's turnover, and is mainly attributed to the Group's two largest properties – Hopewell Centre and Hongkong International Trade and Exhibition Centre.





Rental Property



Operations Review (continued) — RENTAL PROPERTY

Hopewell Centre

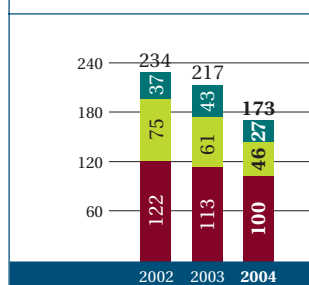
The office leasing market remained very competitive as a result of the substantial supply of office space on Hong Kong Island. However, starting from early 2004, office leasing has been showing signs of improvement due to the spur of the increasing demand from companies expanding their premises and newcomers establishing presence in Hong Kong.

Hopewell Centre, our Group's flagship property, remains a Hong Kong landmark. Overall average occupancy was maintained around the same level as that of last financial year at about 91% despite the soft office leasing market during the second half of 2003. With the recovery of the economy, we had effective and flexible marketing strategy to handle both lease renewals and new leases. We also committed ourselves to providing a renovated office environment to our tenants. A comprehensive renovation program has been underway to upgrade the main lobbies, shopping arcade and building facilities. Retail mix in the shopping arcade was tailored to suit the customers' needs.

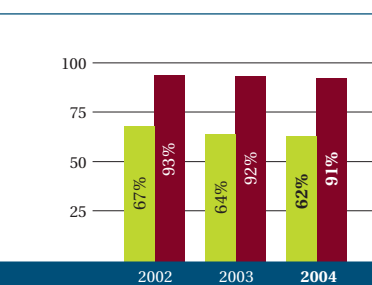
The Group believes the office sector will continue to benefit from CEPA, with occupancy remaining high and rental rate firming up.



Hong Kong Rental Property EBIT (HK\$m)



Hopewell Centre and HITEC Average Occupancy (%)



■ Hopewell Centre ■ HITEC ■ Others

Hongkong International Trade and Exhibition Centre (“HITEC”)

The Hongkong International Trade and Exhibition Centre, a commercial complex located at the hub of Kowloon Bay, one of the major commercial districts in East Kowloon, offers a comprehensive range of showrooms, office spaces and facilities to hold large scale trade shows, conferences and banquets.

Despite severe competition from new office supply in the neighbourhood, average occupancy was kept at about 62%, as compared to about 64% last year. Looking ahead, competition is still fierce due to new office supply in Kwun Tong and Kowloon Bay. The Group will continue to adopt a flexible marketing strategy coupled with ongoing customer-care services to ensure HITEC’s competitiveness. Introducing commercial uses to HITEC is an underlying policy to address the customers’ needs. Implementation of this policy is underway and lease modification relating to the usage for commercial purpose is expected to be completed in the next few months.



Panda Shopping Arcade

In order to introduce a new image to the shopping arcade that occupies the ground floor and three basements of Panda Hotel, a revamp project is planned. Plans for alteration and addition works have been approved by the Buildings Department. Renovation works for this shopping mall, named Panda Place, are expected to be completed in 2005. Panda Place will feature a modern and stylish design and offer greater choice of shopping as well as food and beverage and entertainment to the hotel guests and the residents in Tsuen Wan.

Operations Review (continued) — **PROPERTY DEVELOPMENT**



Property Development

PROJECT	LOCATION	DESCRIPTION	STATUS
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HONG KONG SAR

Mega Tower Hotel	Wanchai, Hong Kong Island, near Hopewell Centre	A planned site of about 14,000 sq.m. under various approval processes for the development of a hotel complex with recreation, shopping, restaurant and other commercial facilities.	Project has been undergoing various processes for the Town Planning Board's approval.
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GUANGZHOU CITY – GUANGDONG PROVINCE, PRC

Hopewell New Town	Huadu District, Guangzhou, near the Guangzhou New Baiyun International Airport	The Group has a 95% interest in the project with a site of about 733,000 sq.m. for a composite development with residential, logistic and commercial developments.	Project will be developed by phases. Master Layout Plan for the development has been approved. Sample flats have been completed. Construction of row houses and four 14-storey blocks has commenced in 2004.
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MACAU SAR

Nova Taipa Gardens	Taipa Island, Macau	The Group has a 50% interest in the joint venture project with Shun Tak and STDM. Total site area of 176,000 sq.m. will be developed by phases into residential, commercial and hotel properties with social amenities.	Construction of the first five residential blocks with 680 flats of Phase 2 is underway. Pre-sale of Phase 2 units is scheduled for launching in 2005.
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Operations Review (continued) — **PROPERTY DEVELOPMENT**

Mega Tower Hotel

Mega Tower Hotel is the Group's latest hotel development in Hong Kong. The proposed hotel, adjacent and to the west of Hopewell Centre, is planned to incorporate shopping, restaurant, commercial and convention facilities as well as much needed community open space in the vicinity.

During the financial year, the Group acquired the last two property units in the proposed site and submitted planning application to the Town Planning Board. The application submitted was rejected under Section 16 of the Town Planning Ordinance and is being reviewed under Section 17 of the same ordinance.



Hopewell New Town, Huadu, Guangzhou

The Group owns a 95% interest in this composite development project in Huadu, Guangzhou – the Hopewell New Town, a residential, commercial and logistic complex development on a site area of about 733,000 sq.m. Hopewell New Town is strategically located 2 km from the Guangzhou New Baiyun International Airport and is planned to be developed in several phases with a total development areas of about 1.4 million sq.m. The project is expected to capture the robust demand for residential, commercial and logistic developments being generated by the new airport which was opened in August this year. It is also conveniently located to the nearby Guangzhou Huadu Auto City and other commercial and manufacturing facilities.

The master plan of the development has been approved. The first phase development consists of townhouses and apartment units with a total development area of approximately 160,000 sq.m. Its development cost is around RMB 450 million. Construction work has commenced.



Hopewell New Town is positioned to complement the growth of Guangzhou as one of the most important logistical hubs in Southern China brought by its extensive transportation network and the increasing number of major manufacturing plants and also closely meets the needs of the region's ever more affluent population.



Nova Taipa Gardens

Nova Taipa Gardens is a multi-phase joint venture development of residential, commercial, social amenities, offices and a hotel on a 176,000 sq.m. site on Taipa Island, Macau and one of the largest property development projects in Macau. It is planned to be developed in 5 phases. Upon completion, it will consist of more than 4,000 residential units and 4,000 carparking spaces. The Group has a 50% interest in the project.



Phase 1 was completed in July 1997. Phase 2 is divided into 3 sub-phases of development. The first sub-phase, Phase 2C, consists of 5 residential blocks with development areas of approximately 100,000 sq.m. providing 680 apartments and 800 car parking spaces. The construction work started in August 2004 and sales is expected to commence in 2005.

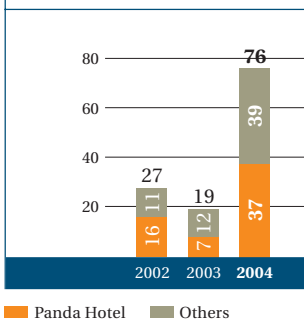
The Group believes Nova Taipa Gardens, a high quality property development project, will allow residents to enjoy high quality living in pleasant environment on Taipa Island.

Operations Review (continued) — **HOTEL AND CATERING**

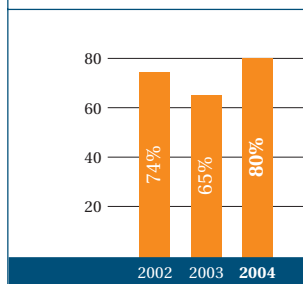


Hotel and Catering

Hospitality EBIT (HK\$m)



Panda Hotel Average Occupancy (%)



■ Panda Hotel ■ Others

Panda Hotel

Panda Hotel experienced a swift business revival during the financial year after facing unprecedented challenges brought by the SARS outbreak in 2003. The average room occupancy increased from 65% to 80 % while the average room rate increased by 14 %. PRC visitors made up the majority of our hotel guests while tourists, corporate and long staying guests also contributed to a steady flow of guest arrivals. In order to increase the hotel's competitiveness, it has started a programme of refurbishment and renovation to its guest rooms and restaurants by phases since two years ago, with 249 rooms, the restaurants and the ballroom completed by the financial year-end. The programme will continue until all rooms are renovated.

Since global economic recovery has created a positive macro-environment, revival in the Hong Kong economy is well on track and becomes more entrenched in the coming months. According to the recent visitor arrivals forecast by the Hong Kong Tourism Board, visitors from PRC will continue to be the leading contributor capitalizing on the Individual Visit Scheme, access to the World Trade Organization ("WTO") and CEPA. A continued steady growth from our targeted short and long haul markets is also expected. In order to address the growing marketing, the Group will strengthen its marketing schemes such as introducing attractive packages and special promotions for both rooms and food and beverage business.



Operations Review (continued) — **HOTEL AND CATERING**

China Hotel, Guangzhou, PRC

On 9 June 2004, upon the expiry of its 20 years' joint venture co-operation, China Hotel, a five-star hotel in Guangzhou, was transferred to the Guangzhou authorities. The hotel project was the first Sino-foreign co-operative joint venture in Guangzhou. The Group had a 20% interest in the venture.



Restaurant and Catering Services

Apart from the food and beverage outlets at Panda Hotel, the Group operates Revolving 66 Restaurant located at Hopewell Centre, Yuet Loy Heen and Grand Buffet Restaurant located at HITEC, and the food manufacturer and supplier – Bayern Gourmet Food. The food and beverage business recorded improvement during the year under review as a result of the improved consumer sentiment brought by the economic recovery and the Group's series of innovative promotions.



Construction and Project Management

The Group's construction subsidiaries have completed all existing construction contracts. Due to difficult market conditions in the local construction industry, the Group's construction expertise will focus on project management of the Group's own property developments.

Tanjung Jati B Power Plant Project (“TJB”)

During the financial year, the disposal of TJB in Indonesia was concluded and became effective. The aggregate cash consideration is approximately HK\$2,388 million and receivable in instalments which, if fully settled, will enable the Group to generate a net cash surplus of approximately HK\$1,660 million after discharging all liabilities relating to the project. Up to this financial year-end, the disposal has generated a net cash surplus of HK\$940 million to the Group with the remaining balance of HK\$720 million to be received in the next three years.

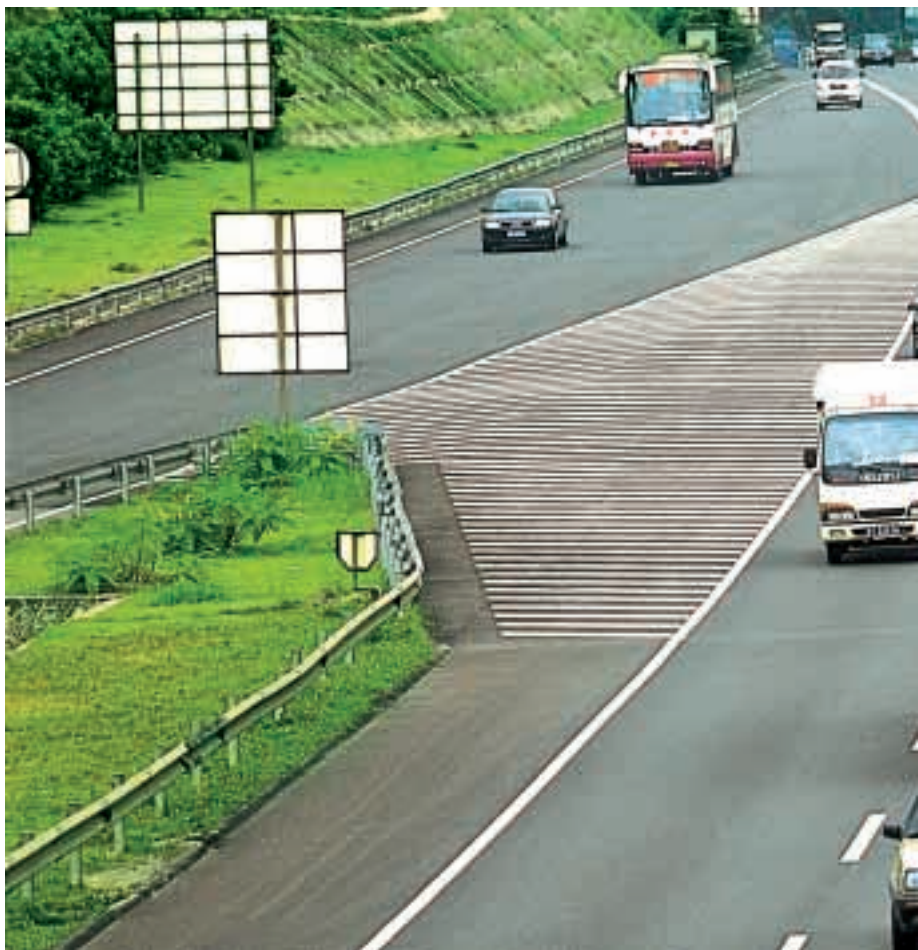
Grand Hotel Excelsior and South Luzon Tollway

Continuing our strategy to dispose of non-core investments, the Group entered into agreements for the sale of its interests in the Grand Hotel Excelsior project in Malta and for the sale, subject to certain conditions, of its interest in the South Luzon Tollway project in the Philippines in October 2003. The cash consideration under the sale agreements together with the repayment of various loans owed to the Group, both receivable in instalments, will be approximately HK\$80 million if materialized.

Bangkok Elevated Road and Train System (“BERTS”)

The Group continued its efforts during the financial year to seek a resolution for the BERTS project.

On 6 August, 2003, the Group listed its subsidiary, Hopewell Highway Infrastructure Limited (“HHI”), on the Main Board of the Stock Exchange of Hong Kong Limited. The initial public offering (“IPO”) in Hong Kong and the international placing raised over HK\$3 billion for HHI. A deemed profit of HK\$484 million resulting from the IPO was recorded by the Group. The Group will continue to operate its core businesses of property and hospitality and retain approximately 75% shareholding in HHI, which focuses on the initiation, promotion, development, investment and operation of toll expressways and bridges.



Infrastructure

HHI

Three toll expressway projects across the Pearl River Delta region (“PRD”) of Guangdong Province were invested by HHI. They are operational and have exhibited remarkable growth in terms of traffic volume and toll revenue.

For the financial year ended 30th June, 2004, HHI’s investment in Guangzhou-Shenzhen Superhighway and Guangzhou East-South-West Ring Road achieved strong growth. As compared with previous year, tolled traffic at the joint venture level for both expressways increased 22%, and toll revenue increased 20% and 27% respectively. The third toll expressway project, Phase 1



of the Western Delta Route, commenced operation on 30th April, 2004, 2 months ahead of the original schedule and started contribution to HHI's revenue.

The continued growth in HHI's operations has been a result of a variety of factors, all of which point to the robust economic growth of the PRD. The PRC's open-door economic policy has led to initiatives such as its entry in the WTO, the creation of CEPA, the Pan-PRD programs, and the opening of the Guangzhou New Baiyun International Airport and various industrial and economic zones and seaports. These will no doubt collectively further enhance the growth of the PRD.

Today, the PRD has become one of the world's most important manufacturing centers in the world, and is increasingly becoming more competitive on a worldwide basis. As HHI's primary business focus will continue to be the PRD, HHI aims to grow and expand its business in tandem with the PRD.

Operations Review (continued) — **INFRASTRUCTURE**

	PROJECT SUMMARY			
	Location	Guangzhou to Shenzhen, Guangdong, PRC		
	Length	122.8 km		
	Lane	Dual three lane		
	Class	Expressway		
	JV Contractual Operation Period	Jul 1997 – Jun 2027		
	Profit Sharing Ratio	Year 1-10: 50%	Year 11-20: 48%	Year 21-30: 45%

Guangzhou-Shenzhen Superhighway (“GS Superhighway”)

GS Superhighway is a 122.8 km, dual three lane closed system toll expressway. There are 18 toll stations along the route, which is fully lit and installed with computerized toll collection, surveillance, and data communication systems. GS Superhighway is a key arterial expressway in the PRD, connecting airports, ports and major cities and is the only expressway linking up Guangzhou, Dongguan, Shenzhen and Hong Kong. Both traffic flow volume and toll revenue continued to record strong growth since it opened in 1994.

Maintaining a high quality standard of expressways is of paramount importance to HHI. This year, the joint venture company completed repaving the final sections of GS Superhighway, completing a two year program that eventually saw the repavement of approximately 100 km of expressway. Additional toll lanes at some stations have also allowed for better throughput of traffic.

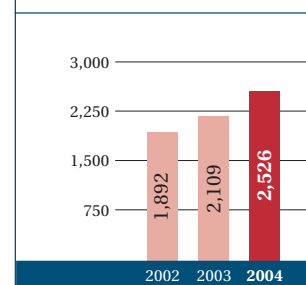
Another major program to enhance the flow of traffic completed this year was the widening from 3 to 4 lanes (each way) for a 2.7 km stretch of expressway between Hezhou and Fuyong.

Even though during the implementation of these improvement works, average daily traffic still increased by 22% from 155,394 to 188,768, and average daily revenues increased by 20% from RMB 5.78 million to RMB 6.90 million, over last financial year at joint venture level.

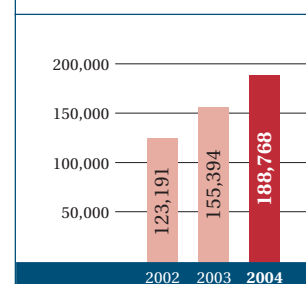
In our efforts to continue to improve the safety for traffic travelling on GS Superhighway, the joint venture company continues to carry out works such as improving road lighting, installing antidazzle boards and better road signs, as well as upgrading traffic monitoring and management systems. Landscaping at interchanges along the expressway and under bridges are also being carried out to improve the aesthetics.

HHI believes that the economic growth in the PRD, together with the continuous improvement in ancillary traffic facilities and service quality, will continue to drive the traffic and revenue growth of the GS Superhighway.

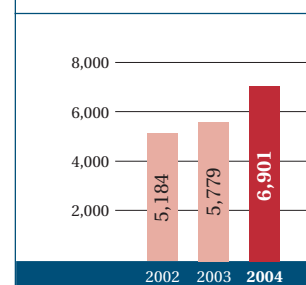
Toll Revenue
(RMBm)



Average Daily Traffic
(No. of vehicles)



Average Daily Toll Revenue (RMB'000)





PROJECT SUMMARY

Location	Guangzhou, Guangdong, PRC		
Length	38 km		
Lane	Dual three lane		
Class	Expressway		
JV Contractual Operation Period	Jan 2002 – Dec 2031		
Profit Sharing Ratio	Year 1-10: 45%	Year 11-20: 37.5%	Year 21-30: 32.5%

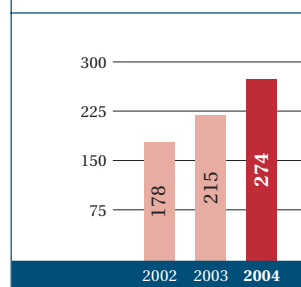
Guangzhou East-South-West Ring Road (“ESW Ring Road”)

The ESW Ring Road, is a 38 km long closed system expressway with dual three lanes, 11 interchanges and computerized toll collection and surveillance and telecommunication systems. It is connected to the Guangzhou Northern Ring Road to form a ring road around the major commercial and trading centers of Guangzhou. Through the interchanges, ESW Ring Road closely connects to other nearby expressways and many major routes around Guangzhou city.

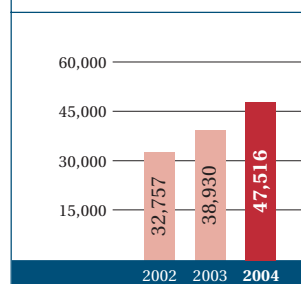
Over the past year, the ESW Ring Road continued to record robust growth. At the joint venture level, its average daily tolled traffic figure was 47,516, 22% higher than last year’s figure and annual toll revenue reached RMB 274 million, 27% higher than the previous financial year.

The ESW Ring Road connects with a host of additional expressways and local roads, such as the Guangzhou Southern Expressway, which will connect Guangzhou and the Nansha Development Zone, which is expected to be completed by 2005. Additional traffic will also be attracted to ESW Ring Road with the recent opening of Phase I West, which reduces traveling time from Guangzhou to Shunde from 40 minutes to approximately 10 minutes.

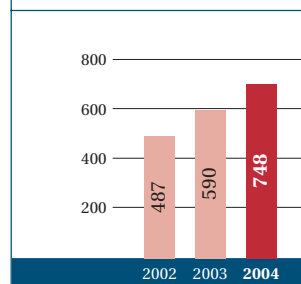
Toll Revenue
(RMBm)



Average Daily Traffic
(No. of vehicles)



Average Daily Toll Revenue (RMB'000)



Operations Review (continued) — **INFRASTRUCTURE****PROJECT SUMMARY**

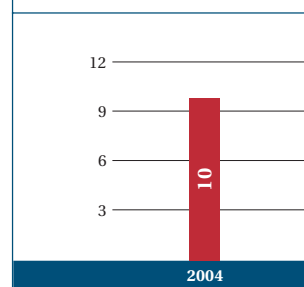
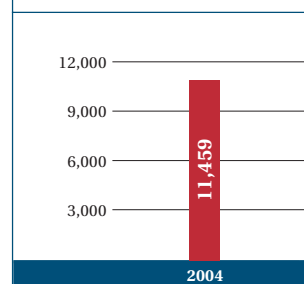
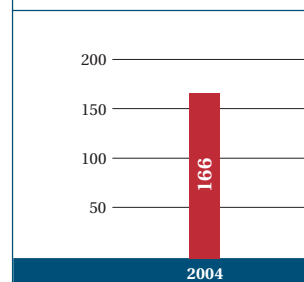
Location	Guangzhou to Shunde, Guangdong, PRC
Length	14.7 km
Lane	Dual three lane
Class	Expressway
JV Contractual Operation Period	Sep 2003 – Sep 2033
Profit Sharing Ratio	50%

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

Phase I West is a 14.7 km closed system dual three lane expressway project. It connects the ESW Ring Road in the north to National Highway 105 and Bigui Road in the south.

Phase I West was opened to traffic on 30th April, 2004, 2 months ahead of schedule. The relevant authority of the Guangdong provincial government judged the Phase I West works as one of the top quality projects in the province.

Currently, Phase I West is the only expressway linking Guangzhou and Shunde. It provides a speedy transportation link and reduces the traveling time between the two cities from 40 minutes to approximately 10 minutes. Traffic flow and toll revenue have been growing strongly since operations started. Up to the end of June 2004, average daily traffic was 11,459 at the joint venture level.

Toll Revenue
(RMBm)**Average Daily Traffic**
(No. of vehicles)**Average Daily Toll Revenue** (RMB'000)

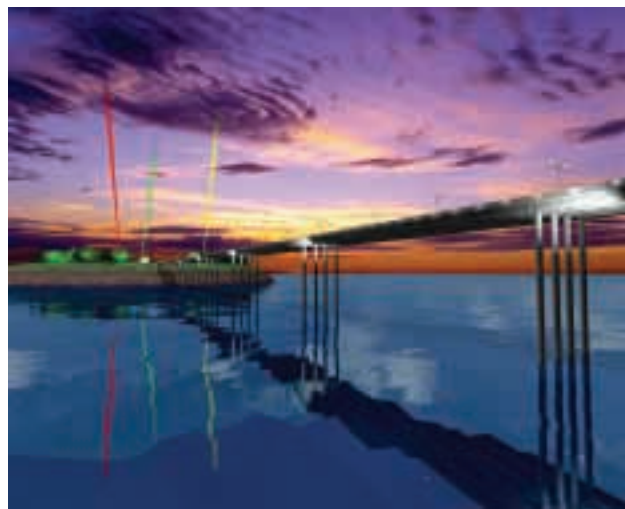
Phases II and III of the Western Delta Route

The Western Delta Route comprises Phases I, II (previously referred to as Phases 2 and 3) and III. The 14.7 km Phase I West project was completed and started operations on 30th April, 2004. On 14th July, 2004, HHI conditionally amended their agreement with the Phase I West's joint venture partner to invest, construct and operate Phase II of the Western Delta Route ("Phase II West"). Phase II West will be approximately 46 km length of expressway linking Shunde to Zhongshan. In addition, HHI is currently in the process of negotiating the terms of a possible co-operation with the PRC joint venture partner of Phase I West and Phase II West to also invest, construct and operate Phase III of the Western Delta Route ("Phase III West"). On completion of the Western Delta Route, an arterial expressway system directly linking Guangzhou, Nanhai, Shunde, Zhongshan and Zhuhai will be formed, creating a strategic route in that area.



Hong Kong-Zhuhai-Macau Bridge Project

The proposed 29 km Y-shaped bridge will connect Hong Kong, Zhuhai and Macau. In the past 12 months, the Guangdong, Hong Kong SAR and Macau SAR governments formed a joint working committee to push forward and organize the related preliminary works of the project. In early 2004, the Guangdong, Hong Kong SAR and Macau SAR governments appointed the China Highway Planning and Design Institute Consultants, Inc. to undergo a feasibility study of the Hong Kong-Zhuhai-Macau bridge project. HHI believes when the project advances further, it will be in an advantageous position to take up an important role.



Operations Review (continued) — OTHER INFRASTRUCTURE PROJECTS

Other Infrastructure Projects

SHUNDE ROADS PROJECT SUMMARY	
Location	Shunde district, Guangdong, PRC
Length	102.4 km
Lane	Dual three lane
Class	Class 1 Highway
JV Contractual Operation Period	Aug 1996 – Aug 2026
Profit Sharing Ratio	25%

SHUNDE 105 ROAD PROJECT SUMMARY	
Location	Shunde district, Guangdong, PRC
Length	40 km
Lane	Dual three lane
Class	Class 1 Highway
JV Contractual Operation Period	Jan 2001 – Dec 2025
Profit Sharing Ratio	30%

Shunde Roads and Shunde 105 Road (not under the portfolio of HHI)

Shunde Roads are a system of four interconnecting dual three-lane highways that form the core road network around the Shunde District of Foshan Municipality; whereas Shunde 105 Road is a separate major highway through the district.

Subsequent to the financial year-end, the disposal of the Group's interest in Shunde 105 Road project has become effective and the consideration of HK\$438 million was received in full. The gain of approximately HK\$178 million arising therefrom will be accounted for in the financial statements for the ensuing year.

The disposal of the Group's interest in Shunde Roads project has also become effective and a portion of the consideration amounting to HK\$583 million was received subsequent to the financial year-end. A gain of approximately HK\$314 million (mainly represents prior years' losses recovered) will be recognized in the financial statements for the ensuing year. The remaining balance of HK\$240 million, which is unsecured, is receivable by 3 equal annual installments commencing from December 2005 and these amounts will be recognized as gains if and when received.



Operations Review (continued) — OTHERS

Others

Employees and Remuneration Policies

There were approximately 1,057 employees in the Group as at 30th June 2004. The Group continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Various benefits including medical and personal accident insurance coverage are also provided to employees. In addition, training programs are conducted on an ongoing basis throughout the Group aiming at improving the employee productivity. Share options may be granted at the discretion of the Board of Directors to employees as appropriate.

Relations with Shareholders and Investors

The Group is committed to fostering a good and long-term relationship through open and prompt communication with shareholders and investors. In addition to the annual general meeting which avails shareholders of opportunity to raise comments on the Group's performance with directors, press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the directors are available to answer queries on the Group. Copies of presentation materials at the conferences are made available to the public through our corporate website www.hopewellholdings.com, which also contains a wide range of additional information on the Group's business activities and is interlinked with the listed subsidiary HHI's website www.hopewellhighway.com.

Community Relations

As a committed and responsible corporate citizen, the Group continued to support a wide spectrum of community activities such as Casual Dress Day, Blood Donation, Toys Donation, Food Donation, Fund Raising for charitable organizations like Crisis Service for Youth and Worldwide Fund for Nature Hong Kong, Walks for millions. We also continued to support education in the Mainland China through donations in universities.