

Report of the Directors

The directors have pleasure in presenting their annual report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30th June, 2004.

Principal Activities

The principal activity of the Company is investment holding and its subsidiaries are active in the field of investment in infrastructure projects, property development and investment, property agency and management, hotel operations and management, restaurant operations and food catering, construction and project management.

Results

The results of the Group for the year ended 30th June, 2004 are set out in the consolidated income statement on page 51.

Dividends

The directors recommended the payment of a final dividend of HK30 cents (2003: HK18 cents) per share which, together with an interim dividend of HK10 cents (2003: HK7 cents) and a special interim dividend of HK30 cents (2003: Nil) per share paid on 25th March, 2004, represents a total dividend distribution of HK70 cents (2003: HK25 cents) per share, totaling HK\$622 million in respect of the year ended 30th June, 2004 (2003: HK\$219 million). The dividends proposed have been incorporated in the financial statements.

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Operations Review" as set out on pages 14 to 33.

Share Capital

Movements in share capital of the Company during the year are set out in note 32 to the financial statements.

Reserves

Movements in reserves during the year are set out in note 33 to the financial statements.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$4,495,000.

Report of the Directors (continued)

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 17 and 18 to the financial statements respectively. Particulars regarding the major properties and property interests of the Group are set out on pages 111 and 112.

Major Customers and Suppliers

During the year, the turnover attributable to the Group's five largest customers combined was less than 30% of the Group's turnover. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries of shares in the Company during the year.

Directors

The Directors of the Company as at the date of the report are set out on pages 10 to 13 of the annual report. Changes and re-designation of titles during the year and up to the date of this report are as follows:

Mr. Eddie Ping Chang HO	(re-designated as Vice Chairman and Managing Director on 6th August, 2003)
Mr. Thomas Jefferson WU	(re-designated as Deputy Managing Director on 6th August, 2003)
Mr. Andy Lee Ming CHEUNG	(appointed on 16th July, 2003)
Mr. Eddie Wing Chuen HO Junior	(appointed on 6th August, 2003)
Mr. Lawrence Sai Kit MIAO	(retired at the annual general meeting held on 21st October, 2003)
Mr. Alan Chi Hung CHAN	(resigned on 25th July, 2003)
Mr. Lee Yick NAM	(appointed on 6th September, 2004)

In accordance with the Company's Articles of Association, Sir Gordon Ying Sheung WU, Messrs. Henry Hin Moh LEE, Robert Van Jin NIEN, Carmelo Ka Sze LEE, Thomas Jefferson WU and Lee Yick NAM will retire at the forthcoming Annual General Meeting and all of them, being eligible, offer themselves for re-election.

Profile of Directors

Profile of Directors of the Company as at the date of the report are set out on pages 10 to 13.

Senior Management

Mr. Tai Tei YU, aged 44, Qualified Accountant, joined the Group in October 2000 as the Group Financial Controller. He is involved in the Group's finance and accounting activities as well as operation review. He has a Master degree in Business Administration from Warwick University. He is a fellow member of the Hong Kong Society of Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators; and a member of the Certified General Accountants Association of Canada. Prior to joining the Group, he has worked for renowned multi-national companies and Inland Revenue Department in the areas of business control, finance and accounting, audit and tax.

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors of the Company who are also regarded as members of the Group's senior management.

Directors' Interest in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30th June, 2004, the interests and short positions of the directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) the Company⁽ⁱ⁾

Directors	Shares				Underlying Shares of Equity derivatives ^(iv) (i.e. share option)	Total interests	% of issued share capital
	Personal interest (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests ⁽ⁱⁱⁱ⁾			
Gordon Ying Sheung WU	63,494,032	21,910,000 ^(v)	111,250,000 ^(vi)	30,680,000	8,000,000	235,334,032 ^(x)	26.62%
Eddie Ping Chang HO	25,360,000	246,000	2,050,000	–	–	27,656,000	3.13%
Thomas Jefferson WU	24,450,000	–	820,000	–	2,400,000	27,670,000	3.13%
Josiah Chin Lai KWOK	2,000,000	–	–	–	1,000,000	3,000,000	0.34%
Henry Hin Moh LEE	7,695,322	–	–	–	–	7,695,322	0.87%
Robert Van Jin NIEN	100,000	–	–	–	1,000,000	1,100,000	0.12%
Guy Man Guy WU	2,645,650	–	–	–	–	2,645,650	0.30%
Ivy Sau Ping KWOK WU	21,910,000	113,554,032 ^(vii)	61,190,000 ^(viii)	30,680,000	8,000,000 ^(ix)	235,334,032 ^(x)	26.62%
Linda Lai Chuen LOKE	–	1,308,981	–	–	–	1,308,981	0.15%
David Yau-gay LUI	8,537	–	–	–	–	8,537	0.00%

Report of the Directors (continued)

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives of the Company were long positions. None of the directors or chief executives held any short position in the shares and underlying shares of equity derivatives of the Company.
- (ii) The corporate interests were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The other interests in 30,680,000 shares represented the interests held by Sir Gordon Ying Sheung WU ("Sir Gordon WU") jointly with his wife Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU").
- (iv) The interests in underlying shares of equity derivatives represented interests in options granted to the directors under the 1994 Share Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options of the Company".
- (v) The family interests in 21,910,000 shares represented the interests of Lady Ivy WU.
- (vi) The corporate interests in 111,250,000 shares held by Sir Gordon WU included the interests in 61,190,000 shares referred to in Note (viii).
- (vii) The family interests in 113,554,032 shares represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 50,060,000 shares held by Sir Gordon WU through corporations.
- (viii) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon Ying Sheung WU and Lady Ivy WU as to 50% each.
- (ix) These represented interests of options granted to Sir Gordon WU.
- (x) Sir Gordon WU and Lady Ivy 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	Underlying shares of Equity derivatives ⁽ⁱ⁾ (i.e. HHI warrants)				Total interests	% of issued share capital
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests		
Gordon Ying Sheung WU	300,000 ⁽ⁱⁱⁱ⁾	6,249,403	2,191,000 ⁽ⁱⁱⁱ⁾	11,124,999 ^(iv)	3,068,000 ^(v)	22,933,402 ^(x)	0.80%
Eddie Ping Chang HO	–	1,936,000	24,600	205,000	–	2,165,600	0.08%
Thomas Jefferson WU	100,000 ^(vi)	2,435,000	–	82,000	–	2,617,000	0.09%
Henry Hin Moh LEE	–	279,530	–	–	–	279,530	0.01%
Robert Van Jin NIEN	–	10,000	–	–	–	10,000	0.00%
Guy Man Guy WU	–	264,565	–	–	–	264,565	0.01%
Ivy Sau Ping KWOK WU	300,000 ^(vii)	2,191,000	11,255,403 ^(viii)	6,118,999 ^(ix)	3,068,000 ^(v)	22,933,402 ^(x)	0.80%
Linda Lai Chuen LOKE	–	–	130,898	–	–	130,898	0.00%
David Yau-gay LUI	–	853	–	–	–	853	0.00%

Notes:

- (i) These represented warrants of HHI, which conferred rights to subscribe for HHI shares at HK\$4.18 per HHI share (subject to adjustments) exercisable during a period of 3 years from 6th August, 2003 to 5th August, 2006.
- (ii) These HHI warrants were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The interests in 300,000 HHI shares and 2,191,000 underlying shares of HHI warrants were interests held by Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU"), the wife of Sir Gordon Ying Sheung WU ("Sir Gordon WU"). The former interests represented the same block of shares in Note (vii).
- (iv) The corporate interests in 11,124,999 underlying shares of HHI warrants held by Sir Gordon WU included the corporate interests in 6,118,999 underlying shares of HHI warrants referred to in Note (ix).
- (v) The other interests in 3,068,000 underlying shares of HHI warrants represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (vi) The interests in 100,000 HHI shares represented beneficial interests of Mr. Thomas Jefferson WU.
- (vii) The interests in 300,000 HHI shares were personal interests beneficially owned by Lady Ivy WU and represented the same block of shares in Note (iii).
- (viii) The family interests in 11,255,403 underlying shares of HHI warrants represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 5,006,000 underlying shares of HHI warrants held by Sir Gordon WU through corporations.
- (ix) The corporate interests in 6,118,999 underlying shares of HHI warrants were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (x) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

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

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

(c) Guangzhou-Shenzhen Superhighway (Holdings) Ltd. (“GSSH”)

Mr. Thomas Jefferson WU beneficially owned the 9⁷/₈% Notes due 2004 (which matured on 15th August, 2004) for a face amount of US\$4,850,000 issued by GSSH through companies 100% controlled by him.

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

Save as aforesaid, as at 30th June, 2004, 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 termination (to the effect that no further options shall be offered) of the 1994 Share Option Scheme and the adoption of a new share option scheme (the “2003 Share Option Scheme”) both effective on 1st November, 2003. As at 30th June, 2004, options to subscribe for a total of 14,200,000 option shares were still outstanding under the 1994 Share Option Scheme. No option has been granted under the 2003 Share Option Scheme.

The following is a summary of some of the principal terms of these share option schemes (for the 1994 Share Option Scheme, only those terms applying to the outstanding option shares are set out).

(i) 1994 Share Option Scheme

- (a) The purpose of the 1994 Share Option Scheme is to give an interest to executive directors and employees of the Company or any of its subsidiaries in preserving and maximizing shareholder value in the long term. It also enables the Company to attract and retain experienced and capable individuals by providing them with incentives for future performance.

Under the 1994 Share Option Scheme and the Listing Rules, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the 1994 Share Option Scheme. The maximum entitlement of each participant under the 1994

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Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company.

The period under which an option may be exercised will be determined by the Board of Directors of the Company in its discretion, save that an option may not be exercised earlier than 6 months after the date of grant (i.e. the date on which the option is accepted) and shall expire not later than 10 years after the date of grant. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option. The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share in the Company.

The 1994 Share Option Scheme was terminated on 1st November, 2003. No further options may be granted under the 1994 Share Option Scheme but in all other respects the provisions of the 1994 Share Option Scheme shall remain in force. However, all options granted prior to the termination of the 1994 Share Option Scheme shall continue to be subject to the provisions of the 1994 Share Option Scheme.

- (b) Particulars of the options held by the executive directors of the Company and employees granted under the 1994 Share Option Scheme are set out below:

Directors	Date of grant	Exercise Price HK\$	Balance of outstanding options at 01/07/2003	Options granted during the year	Options exercised during the year	Options cancelled/lapsed during the year	Balance of outstanding options at 30/06/2004	Exercise period	Closing price immediately before date of grant falling within year HK\$
Gordon Ying Sheung WU	09/09/2003	9.55	–	8,000,000	–	–	8,000,000	09/03/2004 – 09/09/2008	9.40
Eddie Ping Chang HO	09/09/2003	9.55	–	6,000,000	6,000,000	–	–	09/03/2004 – 09/09/2008	9.40
Thomas Jefferson WU	03/04/2002	6.15	2,500,000	–	100,000	–	2,400,000	03/10/2002 – 02/10/2005	–
Josiah Chin Lai KWOK	28/03/2002	6.15	3,000,000	–	2,000,000	–	1,000,000	28/09/2002 – 27/09/2005	–
Robert Van Jin NIEN	01/04/2002	6.15	1,000,000	–	–	–	1,000,000	1/10/2002 – 30/09/2005	–
Employees ^(Note)	02/04/2002	6.15	1,800,000	–	–	–	1,800,000	2/10/2002 – 01/10/2005	–
Total			8,300,000	14,000,000	8,100,000	–	14,200,000		

Note:

Subsequent to the resignation of Mr. Alan Chi Hung CHAN as director of the Company on 25th July, 2003, the options granted to him was reclassified under options granted to employees.

The weighted average closing price of the shares of the dates immediately before the dates on which the options were exercised during the year was HK\$14.40.

The options granted on 9th September, 2003 are exercisable during a period of 4.5 years after the expiry of 6 months from the date of grant.

The options granted, other than those granted on 9th September, 2003, are exercisable in the following manner:

<i>Maximum proportion of options exercisable including the proportion of options previously exercised</i>	<i>Exercisable period</i>
1/3	From the expiry of 6 months from the date of grant of option up to 18 months from the date of grant
2/3	From the expiry of 18 months from the date of grant of option up to 30 months from the date of grant
3/3	From the expiry of 30 months from the date of grant of option up to 42 months from the date of grant

The fair value of the share options granted during the year with the exercise price per share of HK\$9.55 using the Black-Scholes option pricing model is estimated at HK\$6.8. The value is estimated based on the risk-free of 3.37% per annum with reference to the rate on the 4-year Exchange Fund Notes, an estimated historical volatility of 35.8% of the closing price of the shares of the Company for the year ended 30th June, 2004, and assuming an expected option life of 4.2 years and same level of annual dividends as the current year's regular dividends of HK40 cents per share over the option life.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

(ii) 2003 Share Option Scheme

The 2003 Share Option Scheme is designated to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and / or providing benefits to any eligible persons (including substantial shareholders of the Company, directors or employees or consultants, professionals or advisers of / to each member of the Group) and for such other purposes as the Board may approve from time to time.

Under the 2003 Share Option Scheme, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the 2003 Share Option Scheme, unless a fresh approval from the

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shareholders is obtained. The maximum entitlement of each participant under the 2003 Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company. As at the date of this report, a total of 87,748,212 shares (representing approximately 9.80% of the issued share capital of the Company) are available for issue under the 2003 Share Option Scheme.

The period under which an option may be exercised will be determined by the Board of Directors of the Company in its discretion, save that an option shall expire not later than 10 years after the date of grant. An option is open for acceptance for a period of 14 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option. The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (deemed to be the date of offer), which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share in the Company.

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

During the year under review, no option was granted by the Company under the 2003 Share Option Scheme.

Share Options of HHI

The share option scheme of HHI was approved by the written resolutions of the then sole shareholder of HHI passed on 16th July, 2003 and approved by shareholders of the Company at an extraordinary general meeting held on 16th July, 2003 (the "Option Scheme"). The purpose of the Option Scheme is to provide HHI with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to (i) any executive or non-executive directors including independent non-executive directors or any employees of each member of the HHI group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the HHI group; (iii) any consultants, professional and other advisers to each member of the HHI group; (iv) any chief executives, or substantial shareholders of HHI; (v) any associates of director, chief executive or substantial shareholder of HHI and (vi) any employees of substantial shareholder of HHI or such other purposes as the board of directors of HHI may approve from time to time.

Under the Option Scheme, the maximum number of shares in HHI which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme of HHI will not exceed 10% of the total number of shares of HHI in issue immediately following completion of the initial public offering, unless a fresh approval of shareholders of HHI is obtained. The maximum entitlement of each participant under the Option Scheme in any 12-month period must not exceed 1% of the issued share capital of HHI. As at the date of this report, a total of 288,000,000 shares (representing 9.998% of the issued share capital of HHI) are available for issue under the Option Scheme.

The period during which an option may be exercised will be determined by the board of directors of HHI in its discretion and shall expire not later than 10 years after the date of grant. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the board of directors of HHI may in its absolute discretion determine and notified to a participant. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, being the date on which the offer is accepted (or, if such date is not a business day, the next following business day ("Grant Date")); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value of a share in HHI.

The Option Scheme will expire on 15th July, 2013. No option was granted by HHI since the adoption of the Option Scheme.

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous section headed "Share Options of the Company" and "Share Options of HHI", at no time during the year ended 30th June, 2004 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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 include medical and personal accident insurance coverage are also provided to employees. In addition, training programs are conducted on an

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ongoing basis throughout the Group aiming at improving employee productivity. Share options may be granted at the discretion of the Board of Directors to employees as appropriate.

Service Contracts of Directors

No directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation). All the Independent Non-Executive directors of the Company are appointed for a fixed period but subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund ("MPF") Scheme Ordinance, the Group has set up the MPF Schemes. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. During the year, the Group made contributions to the MPF Schemes amounted to HK\$6,841,000.

Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

Substantial Shareholder

As at 30th June, 2004, to the best knowledge of the directors, the interests of person (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	No. of Shares (corporate interests) ⁽ⁱ⁾	% of issued share capital ⁽ⁱⁱ⁾
The Capital Group Companies, Inc.	Investment Manager	43,898,000	4.97%

Note:

- (i) The interests represent long positions in the shares of the Company.
- (ii) An interest of 5.01% was recorded on the register required to be kept under section 336 of the SFO based on the relevant notification dated 27th October, 2003. However, 43,898,000 Shares of the Company were equivalent to approximately 4.97% of the issued share capital of the Company as at 30th June, 2004.

Save as disclosed above, the Company has not been notified of any other interest or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under section 336 of the SFO as at 30th June, 2004.

Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 30th June, 2004.

Audit Committee

The Company has established an audit committee since March 1999 with written terms of reference which deal clearly with its authority and duties in compliance with paragraph 14 of The Code of Best Practice. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. It has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing internal control, and financial reporting matters including review of unaudited interim financial statements and audited annual financial statements. Subsequent to the appointment of Mr. Lee Yick NAM as the new Chairman on 6th September, 2004, the Audit Committee comprises three independent non-executive directors. The other two members are Ms. Linda Lai Chuen LOKE and Mr. Guy Man Guy WU.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Financial Assistance to a non wholly-owned subsidiary

During the year, a wholly-owned subsidiary named Hopewell (Huadu) Estate Investment Company Limited has provided unsecured shareholder loans of approximately RMB 200 million to its 95% owned subsidiary named Guangzhou Hopewell (Huadu) Estate Investment Company Limited at lending rates quoted by The People's Bank of China to finance a property development project, which shall be repayable on 31st December, 2005.

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Disclosure under Chapter 13 of the Listing Rules

The Company through its subsidiaries has entered into contractual joint venture agreements and has undertaken substantial investments for development of certain infrastructure and property projects. The capital investments and advances made to the joint venture companies and associates (“the Affiliated Companies”) were classified and disclosed under the headings “Interests in Jointly Controlled Entities” and “Interests in Associates” in the consolidated balance sheet as at 30th June, 2004.

A proforma combined balance sheet of the Affiliated Companies as at 30th June, 2004, is presented below:

<i>In HK\$ Million</i>	<i>Combined total</i>	<i>Funds injected by the Group</i>
Total assets	22,064	
Financed by:		
Registered capital/share capital	2,438	1,409
Reserves	153	
Accumulated losses	(134)	
	2,457	
Long term liabilities		
– Advances from shareholders/ joint venture partners/related companies	7,184	2,052
– Other long-term loans	10,561	
	17,745	
Current liabilities	1,862	380
Total equity and liabilities	22,064	3,841

* With the exception of the investment in a property-development joint venture which is immaterial, all property, plant and equipment, including essential production facilities, will be reverted to PRC joint venture partners without compensation at the end of the joint venture co-operation period. Disclosure of the attributable interests of the Group in the assets and liabilities of the Affiliated Companies is deemed not appropriate.

Post Balance Sheet Events

Details of the post balance sheet events are set out in note 47 to the financial statements.

Auditors

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 6th September, 2004