

Chairman's Statement



Sir Gordon Ying Sheung WU GBS, KCMG, FICE *Chairman*

I am very pleased to report to shareholders that the Group had another excellent year with net profit attributable to shareholders of HK\$1,662 million for the financial year ended 30th June, 2005, an increase of 14% over the HK\$1,454 million reported last year. Basic earnings per share was HK\$1.86, an increase of 13% over HK\$1.65 reported last year.

The Board of Directors has proposed a final dividend of HK38 cents per share which, together with the interim dividend of HK12 cents per share and special interim dividend of HK30 cents per share, will result in total dividends for the year of HK80 cents per share, up 14.3% from last year's HK70 cents. The dividend payment for this year represents a 43% payout of net profits.

The Register of Members of the Company will be closed from Wednesday, 12th October, 2005 to Wednesday, 19th October, 2005, both dates inclusive, during which no transfer of shares of the Company will be effected. Subject to approval of the shareholders at the annual general meeting to be held on 19th October, 2005, the final dividend will be paid on or about 20th October, 2005 to shareholders as registered at the close of business on 19th October, 2005.

The Group had another excellent year with net profit attributable to shareholders of HK\$1,662 million for the financial year ended 30th June, 2005, an increase of 14% over The Group benefited from the favourable business environment in the PRD region, the three core businesses of the Group, namely Infrastructure, Property and Hospitality all recorded good results for the financial year.

Business Review

The Hong Kong economy has continued to improve over the past year. Boosted by the relaxation of the individual tourists from the PRC, the local tourist and retail related markets boomed, which in turn spread to other sectors of the economy. In the Pearl River Delta (“PRD”), the economy maintained its buoyant growth. The second phase of the Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA II), concluded in August 2004, with further liberalisation measures on trade in goods and services, provides additional opportunities for Hong Kong businesses to do business in the PRC.

During the year, the Group benefited from the favourable business environment in the PRD region. The three core businesses of the Group, namely Infrastructure, Property and Hospitality all recorded good results for the financial year. Infrastructure had an excellent year with exceptional growth in traffic and revenue while maintaining the largest profit contribution at HK\$968 million. Property income contribution for the year was almost at the same level as last year at HK\$171 million. The major revamp of the shopping mall at Panda Hotel, named Panda Place, has been completed and now operating. The lease modification of

Hongkong International Trade and Exhibition Centre was completed to permit commercial and retail usage. As property rentals have rebounded from the bottom, renewals and new lettings during the year at higher rates will be reflected over time. The Hospitality business continues to benefit from the relaxation of individual tourist visa policy by PRC; its contribution for the year was HK\$59 million, with Panda Hotel achieving a significant improvement in income.

The Group also made good progress on the implementation of a number of planned projects. Construction on five residential towers, named Nova City on Taipa Island in Macau, is at an advanced stage. The towers have been topped off and are scheduled to be completed in the first half of 2006. Six high rise apartment blocks and 57 townhouses with gardens of the initial phase of Hopewell New Town in Huadu district of Guangzhou are being built with four apartment blocks and the townhouses scheduled to be completed by the end of this year. Pre-sales of the units of these two projects are being planned for the second half of 2005.

Continued Improvement in Financial Strength

The Group continued to maintain a strong financial position during the year. At the year-end, the Group has net cash of HK\$3.3 billion and the undrawn bank facilities of HK\$5.5 billion. Subsequent to the financial year-end, to further strengthen the Group's financial position, the Group's listed subsidiary, Hopewell Highway Infrastructure Limited ("HHI"), successfully obtained a fully underwritten commitment for a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$ 3.6 billion from a group of commercial banks, and which is currently being syndicated.

Prospects

The Hong Kong economy and that of PRD appear to be on a path of steady growth. Besides the continuing opportunities available from the CEPA initiatives, the Hong Kong business community is anticipating a significant improvement in the tourism and retail sectors after the opening of the Hong Kong Disneyland scheduled in September 2005. On the other hand, it is apparent that the recent increases in interest rates and oil prices are likely to lead to inflation in operating costs and a

new challenging business environment. Overall, I remain optimistic about the prospects of further growth and new investment opportunities for the Group.

Our Group will continue to focus on Infrastructure, Property and Hospitality businesses, and pursue our goal of maintaining a leading position in these sectors in the PRD. We have made good progress on property development, including Hopewell New Town in Huadu district of Guangzhou and Nova City in Macau. In the financial year 2005/2006, the Group is looking forward to beginning realize income from these property development projects, developing Phase II of the Western Delta Route as well as continuing the feasibility study of widening the Guangzhou-Shenzhen Superhighway. While negotiation of the terms of co-operation of the Phase III of the Western Delta Route with the PRC partner is close to finalization, the Group will also strive to resolve the remaining issues of Mega Tower project whereas HHI will put in additional efforts to secure a vital role in the Hong Kong-Zhuhai-Macau Bridge project when it proceeds.

Change of Directors

The Board welcomes new Executive Director, Mr. Barry Chung Tat MOK, who was appointed on 15th August, 2005. Mr. MOK also serves on the board of HHI as Executive Director.

Acknowledgement

I would like to take this opportunity to thank our shareholders, customers and suppliers as well as our working partners for their continuing support, and to express my sincere appreciation to my fellow directors, the management team and all staff members for their loyalty, diligence, and hard work in contributing to the excellent performance of the Group for the past financial year.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 1st September, 2005