Managing Director's Report

To Our Shareholders,

Over the past few years, the Group has done a lot to streamline corporate structure and improve corporate transparency. The Group now has four listed subsidiaries, each focusing on its area of strength. Each listed company has its management team working for the best interest of their shareholders.

The Group also endeavours to improve the corporate transparency. We have organised a number of site visits, meetings with media and investment community and participated in investment forums and overseas roadshows. These activities helped keep investors on the forefront of the Group's strategies and development plans.

For the year ended 30 June 2005, the Group recorded a turnover of HK$22.27 billion. The overall business of the Group achieved satisfactory results under the resilient economy of Hong Kong. Strong cash flows from various business segments strengthened the capital base of the Group. Net debt has been reduced by HK$7.55 billion to HK$14.06 billion and net gearing ratio dropped to 23%.

Hong Kong property market is on its uphill track with steady growth. In FY2005, the Group sold an effective share of approximately 475,000 sq. ft. GFA of residential and commercial area in Hong Kong. In order to keep the production pipeline steady, the Group is actively discussing with the government on agricultural land conversion and is also seeking various sources to replenish its landbank, such as public auctions and tendering for development projects offered by Urban Renewal Authority and the two rail companies.

During the year under review, the land premiums of two plots of agricultural land were paid to convert around 748,000 sq. ft. GFA to the landbank for development. Currently, the Group is actively discussing with the government on the land premiums of several sites in Wu Kai Sha, Yuen Long and Sai Kung to further provide over 3 million sq. ft. GFA. Apart from agricultural land conversion, the Group is also expanding our landbank by acquiring sites in urban areas. The Group has recently acquired 42–44 Belcher's Street, Western District with potential 126,000 sq. ft. GFA and 70% interest in Villa Splendor at Tai Hang Road with potential 115,000 sq. ft. GFA.

The one million sq. ft. GFA Hanoi Road Redevelopment Project in Tsim Sha Tsui is scheduled to complete in 2007. This project consists of hotel, service apartments and a shopping mall with direct access to MTR Tsim Sha Tsui Station. In time, the Group will have a total of over 3 million sq. ft. GFA in the prime areas of Tsim Sha Tsui.

Hotels in Hong Kong benefit from improving economy and tourism. The Group has 5 new hotels in Mainland China and Hong Kong under planning or construction to provide additional rooms to the Group's existing 7,300-room hotel portfolio.

Infrastructure is a key growth driver for the Group. While existing projects continue to improve their operations, the Group is actively looking for new investment opportunities. In the past 12 months, the Group has invested in several infrastructure projects including expressways, water projects and container handling facilities to enhance its income stream.

After the disposal of the interests in Hong Kong container ports, the Group re-directs our investment radar of container handling/ logistics to Mainland China. NWS Holdings Limited acquired 18% of Tianjin Five Continents International Container Terminal (天津五洲國際集裝箱碼頭) and signed a letter of intent with China Railway Container Transport Corp Ltd. (中鐵集裝箱運輸有限責任公司) to set up a joint venture to develop, operate and manage large-scale pivotal rail container terminals in 18 major cities in Mainland China.

Our core operations have benefited and will continue to benefit greatly from the revival of Hong Kong economy and prosperity in Mainland China. Strategically, we are actively looking for growth opportunities in Mainland China while enhancing and expanding our Hong Kong businesses.

China's economy is projected to grow at 8% in 2005, a growth rate that will give the country another year of enviable economic achievements. Launched in early 2004, the Central Government's austerity measures are paving the way for the healthy long-term economic development. As the economy prepares for its full integration into WTO, China's industries quickly gear up themselves for overseas competition, and in so doing, create opportunities for productivity enhancement and economic growth. As a business conglomerate with strong presence in key sectors in Mainland China, including property, infrastructure and department store, we are uniquely positioned to capitalise on the country's growth trend.

Dr Cheng Kar-Shun, Henry
Managing Director
Hong Kong, 6 October 2005