

Interim Dividend

The Board of Directors has declared an interim dividend of HK36 cents per ordinary share in respect of the financial year ending 30th June, 2006 (30th June, 2005: interim dividend of HK12 cents and special interim dividend of HK30 cents). The dividend will be paid on or about 23rd March, 2006 to those shareholders as registered at the close of business on 22nd March, 2006.

Close of Register

The register of members of the Company will be closed from Friday, 17th March, 2006 to Wednesday, 22nd March, 2006, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 16th March, 2006.

Business Review

Rental Property

Turnover of the property rental business for the period under review, contributed mainly from Hopewell Centre, increased from HK\$150 million of the last corresponding period to HK\$160 million. EBIT increased from HK\$90 million to HK\$92 million. Both increases were largely attributable to the improved performance of Hopewell Centre.

Hopewell Centre, Wanchai

The average occupancy rate of Hopewell Centre, our Group's flagship property, improved from the last corresponding period's 92% to about 96%. Rental rates achieved during the period under review on new leases have been progressively higher. The final stage of the major renovation works for the common areas and building facilities to upgrade the property is scheduled for completion by 2006. Benefiting from the upward market trend coupled with the phased completion of the comprehensive renovation program, the rental rates for new leases are expected to maintain its upward momentum within this financial year.

Business Review (continued)

Hongkong International Trade and Exhibition Centre, Kowloon Bay

The average occupancy of The Hongkong International Trade and Exhibition Centre (“HITEC”) during the period under review, though facing fierce competition from the supply of new office space in the area, still stood steadily at around 60%, almost the same level as that of the last corresponding period. Turnover from conventions and exhibitions, benefiting from the economic upturn, increased about 14% as compared to the last corresponding period.

The land lease modification of HITEC in January 2005 permits area of the building for office, commercial and retail uses. The Group plans to invest in revamping the building and turning 600,000 square feet into a modernized indoor entertainment destination point.

Panda Place, shopping mall of Panda Hotel

Panda Place, located on the ground and three basement levels of Panda Hotel, was revamped into a modern and stylish shopping mall. The shopping mall features themes of food and beverages, lifestyle and entertainment, targeting at the middle to upper markets of the affluent local families and hotel guests.

Following its soft opening in the third quarter of 2005, Panda Place has achieved an encouraging occupancy rate of over 72% by December 2005. Regular campaigns will continually be staged to attract visitors and establish the mall as an important shopping centre in Tsuen Wan.

Hotel and Catering

Turnover and EBIT of the hospitality business during the period under review increased to HK\$180 million and HK\$38 million respectively, as compared to HK\$168 million and HK\$31 million of the last corresponding period. The increases were mainly due to the continued good performance of Panda Hotel and the improved performance of the restaurant and catering services.

Panda Hotel, Tsuen Wan

Revenue of Panda Hotel increased 4% to HK\$94 million as compared to the last corresponding year. Average room rate increased by 4% and average room occupancy increased from 89% to 90%. The improvement was attributable to the strong economic recovery and rebound of both short and long hauls visitor arrivals.

Despite intensive competition from the new hotel supply in the adjacent areas, the hotel expects strong business momentum be continued in view of the increase in visitor arrivals in 2006 anticipated by the Hong Kong Tourism Board. The hotel will further strengthen its marketing schemes and continue its on-going renovation program for guestrooms, restaurants and other facilities to sustain its competitiveness.

Restaurant and Catering Services

Contribution from Bayern Gourmet Food (the food manufacturer and supplier) reported remarkable

Business Review (continued)

growth while the overall performance of the Revolving 66 Restaurant at Hopewell Centre and, Yuet Loy Heen and Grand Buffet Restaurant at HITEC improved during the period under review.

Property Development

The property development business for the period under review reported an EBIT loss of HK\$13 million which represented mainly the marketing costs incurred for pre-sale of the Nova City in Macau and Hopewell New Town in Huadu district of Guangzhou, as compared to the last corresponding period's gain of HK\$72 million. Last period's gain was mainly from the disposal of the development right in Phase 4 of Nova Taipa Gardens.

Hopewell New Town, Huadu, Guangzhou (95% interest)

Construction works for the first phase development of Hopewell New Town, which consists of 6 apartment blocks and 57 townhouses with gardens (with a total gross floor area of approximately 100,000 square meters), are on schedule. In December 2005, construction works for 4 apartment blocks and 57 townhouses were completed. Pre-sale of these units has commenced in October 2005 and received satisfactory response. Successive promotional campaigns will be strategically launched during the financial year ending June 2006.

Nova Taipa Gardens, Taipa Island, Macau (50% interest)

Nova Taipa Gardens is a multi-phased joint venture property development project. Nova City, Phase 2 of this multi-phased project, is now under construction. Construction works for the first sub-phase of Nova City, which covers 5 residential blocks providing 684 units (with a total gross floor area of approximately 1,100,000 square feet) and about 800 parking spaces, is well advanced and completion is planned to be before the financial year ending June 2006. Construction works for the second sub-phase of Nova City, which covers 4 residential blocks providing 552 units (with a total gross floor area of approximately 970,000 square feet) has commenced and completion is planned to be before the financial year ending June 2007.

In the last quarter of 2005, the pre-sale of first sub-phase of Nova City was launched with overwhelming response. Over 90% of these flats are pre-sold with an average selling price of around HK\$1,750 per square foot. If completion of these pre-sales materialized in the second quarter of 2006 as currently planned, the Group expects sales profits to be recognized in the second half of this financial year.

The Group believes Macau is a market of phenomenal potential growth and it is committed to develop high-end residential and commercial properties to satisfy Macau's needs as an international metropolis and travel destination. A four-year plan for the phased development of the project is being pursued with planned completion of the first, second and third sub-phases of Nova City, and Phase 3 of Nova Taipa Gardens by the respective financial year ending June 2006, 2007, 2008 and 2009, providing more than 500 units each year. The Group, with its investment in the project since December 1987, expects to yield good profits from development and sale of the project over time.

Business Review (continued)

Commercial Development, 196-206 Queen's Road East, Wanchai

Foundation work for development of the site at 196-206 Queen's Road East into a commercial building of about 75,000 square feet is in progress. Construction works are presently planned to complete in 2007. The present planned total project investment cost is around HK\$150 million.

Residential and Commercial Tower, 214-224 Queen's Road East, Wanchai

Demolition work at 214-224 Queen's Road East site for development into a residential and commercial building of about 95,000 square feet has been completed. The present plan is for foundation work to commence in 2006 and construction works to complete in 2008, with present planned total project investment cost being around HK\$250 million.

Mega Tower Hotel, Wanchai

The Group has lodged a notice of appeal to the Town Planning Board in May 2005 for its rejection of the Group's planning application to develop the proposed 2,000-room Mega Tower Hotel at the site adjacent to the Hopewell Centre. A hearing date is being arranged by the Town Planning Appeal Board. Alternatives in materializing the project are still being reviewed by the Group.

Infrastructure

EBIT from infrastructure business for the period under review increased 21% from HK\$447 million of the last corresponding period to HK\$540 million due to the growth in traffic flow and toll revenue of the three expressway projects, viz. Guangzhou-Shenzhen Superhighway ("GS Superhighway"), Guangzhou East-South-West Ring Road ("ESW Ring Road") and Phase I of the Western Delta Route ("Phase I West"), invested by the Group's listed subsidiary, Hopewell Highway Infrastructure Limited ("HHI").

HHI

HHI, in which the Group continues to retain approximately 75% shareholding, focuses on the initiation, promotion, development, investment and operation of toll expressways and bridges. During the period under review, the three expressways have sustained continuing steady growth in both traffic flow and toll revenue. For the six months ended 31st December, 2005, the aggregate average daily traffic and aggregate average daily toll revenue of the three expressways recorded an increase of 21.6% and 11.3% to 366,000 vehicles and RMB 10.16 million respectively. The total toll revenues in the six months reached RMB 1,870 million. Apart from robust growth in toll revenue, HHI also benefits from Renminbi appreciation under the new Renminbi exchange rate regime since late July 2005, including the bulk of its revenue is in Renminbi and in the period, an exchange gain on retranslation of the US dollar bank loans borrowed by a jointly controlled PRC entity has been recognised.

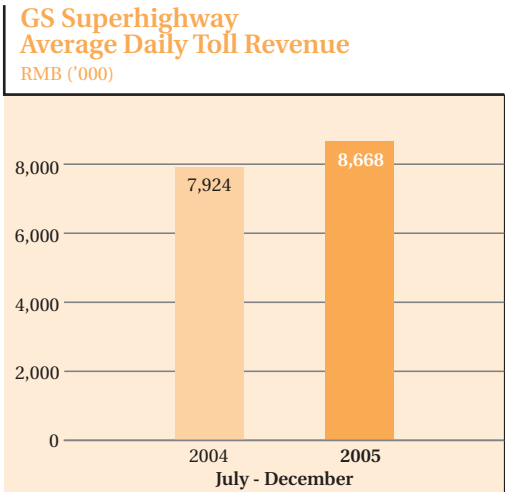
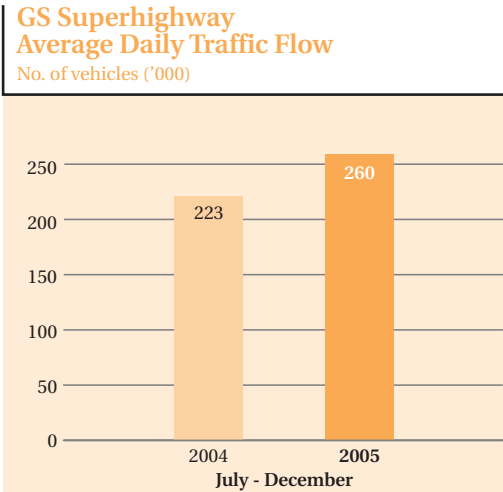
Business Review (continued)

In view of the continuous economic growth in the PRD, the successive completion of the road networks in the province, the substantial increase in car ownership and the fast sustaining growth in passenger and freight transportation, the strategic importance of HHI's expressways become increasingly apparent. HHI expects the traffic flow and toll revenue of the GS Superhighway, the ESW Ring Road and the Phase I West will maintain a continuous stable growth.

Construction of the Phase II of the Western Delta Route, connecting to the Phase I West, has been commenced in December 2005, whereas the preparation works of the Phase III of the Western Delta Route are underway. HHI believes that the whole Western Delta Route, upon completion, will become a strategic route on the western bank of the PRD.

Guangzhou-Shenzhen Superhighway ("GS Superhighway")

The 122.8 km GS Superhighway, with totally 6 lanes in dual directions, is the main artery in the expressway network of the PRD. It connects to four major cities, namely Guangzhou, Dongguan, Shenzhen and Hong Kong. During the period under review, the average daily traffic reached 260,000 vehicles, an increase of 16.7% as compared to the last corresponding period. The average daily toll revenue grew 9.4% to RMB 8.67 million. Total toll revenue in the six months under review reached RMB 1,600 million.



In accordance with the unitoll policy of the Guangdong Provincial Government, the toll system of the GS Superhighway has successfully connected to and integrated with the Guangdong provincial unitoll collection system, which by December 2005, already covers ten expressways in the PRD, including the GS Superhighway, the Dongguan's Changhu Expressway (newly opened in September 2005 and connecting to the GS Superhighway), the Humen Bridge and others, providing drivers with a convenient "non-stop" rapid transportation network and toll payment service.

Business Review (continued)

In addition, HHI believes the traffic growth of the GS Superhighway will further benefit from the newly constructed Shajing toll station in Shenzhen which opened to traffic in January 2006 and the coming connection to the Shenzhen Nanping Expressway at Tang Lang Shan toll station planned to open to traffic in mid-2006.

During the period under review, the joint venture company has persisted in enhancing the highway's service standards and improving its ancillary traffic facilities, including installations of additional road lightings, traffic monitoring closed circuit televisions, changeable message signboards and light reflective road studs along the main alignment. In 2006, it plans to expand certain toll stations with heavy traffic to facilitate increasing traffic throughput and to continue its study of the feasibility in widening the GS Superhighway from its current total 6 lanes to 10 lanes.

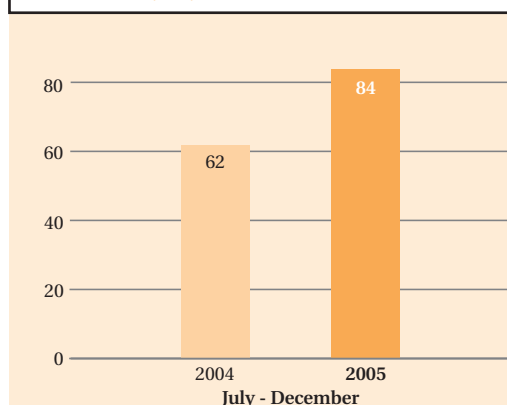
HHI believes that with the sustained robust economic growth of Guangdong Province, the continuing improvement in living standard and per capita income, and increase in car ownership, the traffic flow and toll revenue of the GS Superhighway will maintain continuous stable growth.

Guangzhou East-South-West Ring Road ("ESW Ring Road")

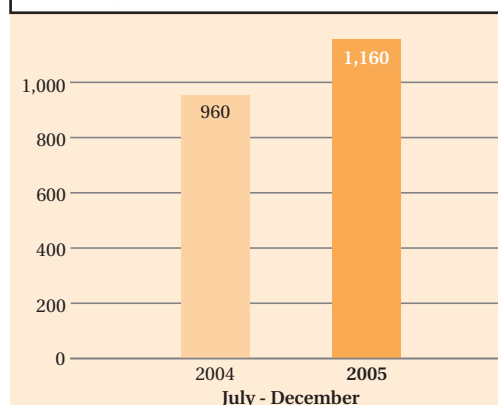
The 38 km ESW Ring Road, with totally 6 lanes in dual directions, is a major route in the PRD and Guangzhou expressway network. The ESW Ring Road connects to the GS Superhighway in the east, connects to the Nansha Port Expressway and Phase I West in the south; and links with the Guangfo Expressway in the west, and several inter-city expressways which are under construction. It plays a vital role in relieving the pressure of traffic congestion in the inner city of Guangzhou and in providing a speedy route passing through Guangzhou en route to other destinations.

During the period under review, the ESW Ring Road exhibited a robust growth in traffic flow and toll revenue. The average daily traffic grew 36% to 84,000 vehicles and the average daily toll revenue rose 21% to RMB 1.16 million. Total toll revenue in the six months under review reached RMB 210 million.

**ESW Ring Road
Average Daily Traffic Flow**
No. of vehicles ('000)



**ESW Ring Road
Average Daily Toll Revenue**
RMB ('000)



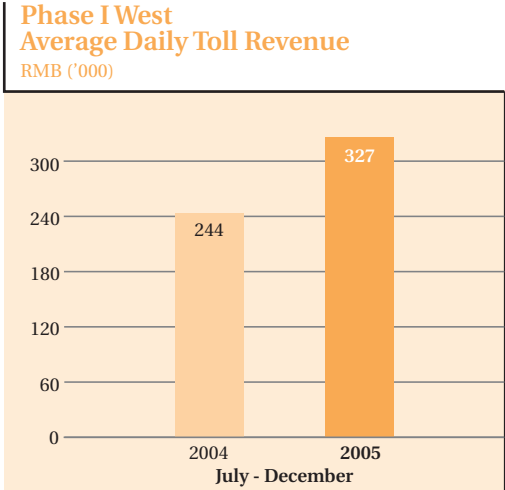
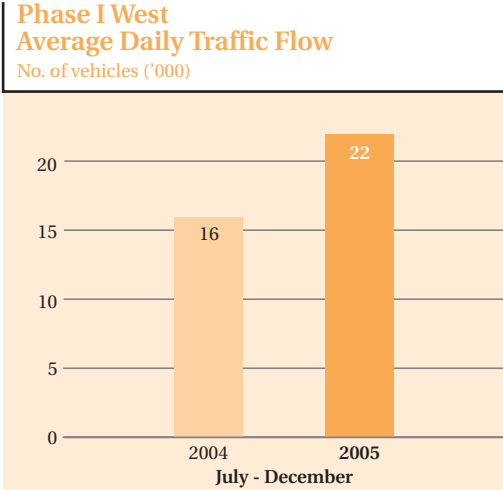
Business Review (continued)

With the steady economic growth of Guangzhou and the successive completion of the neighboring expressway networks, HHI believes that the traffic volume and toll revenue of this expressway will rise continually.

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

The 15 km Phase I West, with totally 6 lanes in dual directions, is a new expressway on the western bank of the PRD. It connects to the ESW Ring Road in the north and the National Highway 105 and Bigui Road of Shunde in the south.

The Phase I West recorded remarkable growth in both traffic flow and toll revenue since it opened to traffic. During the period under review, the average daily traffic increased 38% to 22,000 vehicles and the average daily toll revenue rose 34% to RMB 327,000 as compared with the last corresponding period. Total toll revenue in the six months under review reached RMB 60 million.



Currently, the Phase I West is the only expressway linking Guangzhou and Shunde. With the increasing inter-city activities between the two cities accompanied by further economic development, HHI believes that both the traffic flow and toll revenue of Phase I West will continue to grow.

Phases II and III of the Western Delta Route (“Phase II West” and “Phase III West”)

The Phase II West is a 46 km expressway with totally 6 lanes in dual directions. It will connect to the Phase I West in the north and the National Highway 105 and the proposed western expressway of Zhongshan in the south. The project, in which HHI owns a 50% interest, commenced construction in December 2005 with anticipated construction period of three years. The total investment, excluding interest during construction, is approximately RMB 4,900 million according to present estimation.

The Phase III West is a 38 km expressway project to link the Phase II West to Zhongshan and Zhuhai. In September 2005, HHI conditionally amended the agreements with the PRC

Business Review (continued)

partner of the Phase I West (same partner as Phase II West) to invest, construct and operate the Phase III West. Currently, preparation works are underway.

Upon the completion of the Phase II West and the Phase III West, the Western Delta Route will link up the major cities, namely Guangzhou, Foshan, Zhongshan and Zhuhai to become a strategic route on the western bank of the PRD.

Hong Kong–Zhuhai–Macau Bridge Project

It was reported in the media that the feasibility study of the project has been completed. The project details and the bidding arrangements are pending governments' announcement. HHI believes that it is well positioned to play an important role in the project once it proceeds.

Other Projects

Shunde Roads

For the Shunde Roads project, during the period under review, HK\$163 million out of the total outstanding disposal amount of HK\$244 million has been received and recognized as a gain. The remaining outstanding balance will be recognized as gains as and when received.

Tanjung Jati B Power Plant Project (“TJB”) in Indonesia

A gain of HK\$45 million on the TJB disposal was recognized in the period under review (2005: HK\$404 million). Up to 31st December, 2005, the TJB disposal has generated a net cash surplus of HK\$1,533 million to the Group. The remaining outstanding receivable amounting to approximately HK\$128 million will be recognized as gains as and when received.

Bangkok Elevated Road and Train System (“BERTS”)

A sale and purchase agreement was entered on 29th November, 2005 for the disposal of the Company's interests in Hopewell (Thailand) Limited (“HTL”), a wholly-owned subsidiary which undertook the BERTS project.

A disposal gain of approximately HK\$265 million was recognized in the period under review, mainly representing write back of provisions, following the disposal of HTL, for costs incurred for the BERTS project.