



- *Satisfactory growth in core business*
- *Exciting prospects for property projects*
- *Develop existing land bank to unlock value of the Group*
- *Strong, solid financial health*
- *Poised to grow with the Pearl River Delta economy*

I am delighted to report to shareholders that the Group had another excellent year with net profit attributable to shareholders of HK\$2,250 million for the financial year ended 30th June, 2006, an increase of 18% over the HK\$1,907 million of last year. Basic earnings per share was HK\$2.50, an increase of 17% over the HK\$2.13 of last year.

Dividends

The Board of Directors has proposed a final dividend of HK48 cents per share which, together with the interim dividend of HK36 cents per share, will result in total dividends for the year of HK84 cents per share, up 5% from last year's HK80 cents. The dividend payment for this year represents a 39% payout of net profits (before effect of property revaluation gain). Subject to approval of the shareholders at the forthcoming annual general meeting to be held on 19th October, 2006, the proposed final dividend will be paid on or about 20th October, 2006 to shareholders as registered at the close of business on 19th October, 2006.

Close of Register

The Register of Members of the Company will be closed from Monday, 16th October, 2006 to Thursday, 19th October, 2006, both days inclusive, during which period no

transfer of shares of the Company will be effected. In order to qualify for the proposed final 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 13th October, 2006.

Business Review

The Hong Kong economy is strong and has continued to improve over the past year. The close economic cooperation between Hong Kong and the PRC, including the Closer Economic Partnership Arrangements, is functioning well. The PRC economy, particularly the Pearl River Delta, still enjoys strong growth notwithstanding the macro economic adjustment measures. The Macau economy is booming and the global economy remains robust. Interest rates in the US seemed to have peaked and the liquidity in the market remains abundant. All of our businesses have benefited from the favorable and vibrant business environment in the past year. The three core businesses of the Group, namely, Infrastructure, Property and Hospitality all recorded good results for the financial year.

The Group's infrastructure business continued to deliver steady growth. During the year, to cope with the increasing traffic demand, we have spent much efforts and resources on improving the traffic management of the expressways in operation. In addition, construction of Phase II of the Western Delta Route has commenced in December 2005 and preparation for Phase III is also well under way with the conditional agreement therefor signed in September 2005. Positive developments relating to the Hong Kong-Zhuhai-Macau Bridge continue to be reported in the media, Hopewell Highway Infrastructure Limited, the Group's listed subsidiary, believes that it is well positioned to play an important role in the project once it proceeds.

On the property side, it has been an exciting year. In Macau, for our Nova City project (of which the Group has a 50% interest), the occupation permit for Phase I has been obtained and construction of Phase II is well under way. Almost all the residential units of Nova City Phase I have been pre-sold. The pre-sale of Nova City Phase II units recently launched also received good response, which demonstrates the strength of the Macau property market. In the PRC, sales of the first phase of our Hopewell New

Town project in Huadu, Guangzhou was also launched in the latter part of 2005 with over 60% now sold. We will develop this project in phases. In Hong Kong, the Group's property rental business has recorded healthy growth with Hopewell Centre achieved an average occupancy rate of 97%. The acquisition of the entire 12 Broadwood Road site in Happy Valley for development as rental property of the Group was completed in July 2006 and demolition work has commenced. The present plan is for construction of the 12 Broadwood Road site to be completed in the fourth quarter of 2009. Construction of the two commercial/residential projects at Queen's Road East in Wanchai, also as rental property of the Group, has commenced with completion currently planned to be in the third quarter of 2007 and the fourth quarter of 2008 respectively. In addition, to enhance the value of our existing rental property portfolio, the revamp of Panda Place under our Panda Hotel was completed while the revamp of the Hongkong International Trade and Exhibition Centre into a major entertainment and destination shopping complex in Kowloon Bay has commenced in July 2006.

The Group's hospitality business also continued to achieve improvement. The average occupancy rate of Panda Hotel hit a

record high of 87% since its opening in 1992. For the Mega Tower Hotel project, we are making all efforts to expedite the said project and to prepare for the appeal of the Town Planning Board decision, hearing of which has been fixed to be in January 2007.

The Group has been disposing of its non-core assets with the aim of streamlining the group structure to align with corporate objective. In November 2005, a sale and purchase agreement was entered to dispose of the Group's interests in Hopewell (Thailand) Limited, a wholly-owned subsidiary which undertook the Bangkok Elevated Road and Train System project. During the year, we have received all the remaining instalments of the sale proceeds of the Shunde Roads project and in August 2006, we also received the last remaining outstanding receivable for the Tanjung Jati B Power Plant project in Indonesia. For the year, an aggregate exceptional gain of approximately HK\$806 million is recognized for the Group.

On the financial side, to further strengthen our platform for future growth, in October 2005, Hopewell Highway Infrastructure Limited has entered into a HK\$3.6 billion five-year syndicated loan facility agreement with 15 international and local banks and in June 2006, the Group has entered into

a HK\$5.35 billion five-year syndicated revolving loan facility agreement with 17 international and local banks. Total unutilized banking facility available to the Group is in excess of HK\$14 billion. In addition, the Group has net cash of HK\$3.65 billion as at the balance sheet date. This strong financial position enables us to capture any good opportunities in future.

Prospects

Looking ahead, I believe that Hong Kong and Macau will continue to benefit from the robust growth of the PRC economy. The Group will continue to focus on its infrastructure and property businesses. Planning works and studies of the new infrastructure projects are proceeding well. The Group currently plans to continue the development of the remaining parts of Nova City in Macau and Hopewell New Town in Huadu in phases according to market demand. Moreover, the Group is also working on a plan to increase the gross floor area of investment property portfolio from 3.6 million square feet in financial year 2006 to over 6 million square feet in financial year 2012. Together with the new property rental projects in Hong Kong, which, upon completion, will increase the Group's recurrent revenue base, the property business is expected to be an important

growth driver in addition to the Group's infrastructure operations. With more than HK\$17 billion of cash and available banking facilities, the Group is on a very solid foundation for its future development.

Acknowledgement

The success of the Company is built upon the continuous support and contributions made by our shareholders, customers, suppliers and business partners for whom I am most grateful. I also appreciate the efforts made by our talented and dedicated staff as well as the leadership of my fellow directors which have contributed to the strong performance of the Group last year.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 30th August, 2006