



The Group's investment portfolio of rental properties includes:

EXISTING RENTAL PROPERTIES IN OPERATION

Property	Location	Use	Approximate Gross Floor Area (square feet)
Hopewell Centre	Wanchai, Hong Kong Island	Commercial and retail	840,000
HITEC	Kowloon Bay, Kowloon	Conference, exhibition and commercial	1,739,000
Panda Place	Tsuen Wan, New Territories	Retail	219,000
Allway Gardens Shopping Arcade	Tsuen Wan, New Territories	Retail	223,000

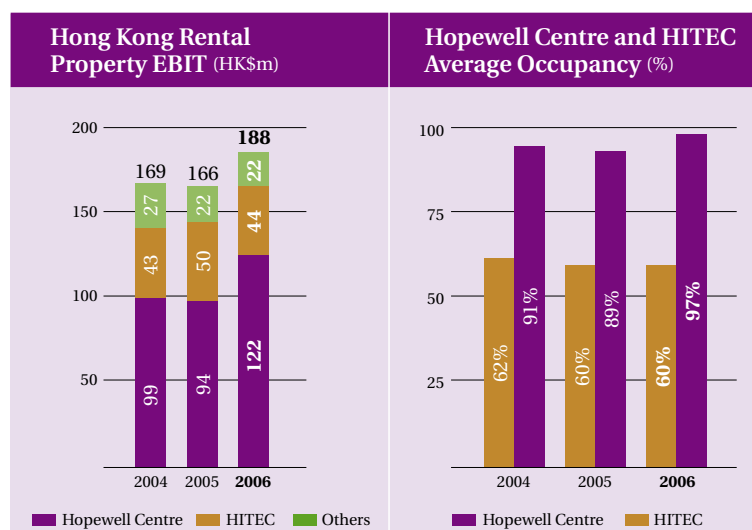
RENTAL PROPERTIES UNDER DEVELOPMENT

Property	Location	Use	Approximate Gross Floor Area Under Present Planning (square feet)
196-206 Queen's Road East	Wanchai, Hong Kong Island	Commercial	77,000
214-224 Queen's Road East	Wanchai, Hong Kong Island	Residential and commercial	96,500
12 Broadwood Road	Happy Valley, Hong Kong Island	Residential	113,900

For the year ended 30th June, 2006, turnover of the property rental business rose 14% to HK\$331 million, representing about 35% of the Group's turnover. EBIT increased by 13% to HK\$188 million. During the year, to improve the quality of our rental assets, renovation and improvement work were carried out in phases on certain existing rental properties.

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- 1-5 LED lighting on Hopewell Centre's exterior wall
- 6 Hopewell Centre renovated lobby
- 7 Proposed new look of HITEC
- 8 Mixed office and entertainment complex at 196-206 Queen's Road East





Hopewell Centre, Wanchai

Hopewell Centre remains the flagship of the Group's properties. Major renovation works, which include complete facelift and modernization of all common areas and building facilities, were completed during the year. With strong market demand and upgrading of the building, the average occupancy rate improved from 89% of last year to 97% and rental rates for new letting have also increased. We believe the Hopewell Centre will in the long run benefit from revitalization of the South Wanchai area spearheaded by the on-going urban renewal program of the Urban Renewal Authority.

Hongkong International Trade and Exhibition Centre, Kowloon Bay

The overall performance of the Group's Hongkong International Trade and Exhibition Centre ("HITEC"), a commercial complex located at the hub of Kowloon Bay, was satisfactory. The average occupancy of HITEC stood steadily at about 60% notwithstanding a major renovation program of a substantial portion of the complex was under way. Turnover from convention and exhibition, as compared to the last financial year, increased about 20% to HK\$33 million.



To optimize the usage of this complex now permissible under the modified land lease conditions, HITEC is undergoing a major revamp program whereby approximately 900,000 square feet of the centre will be re-designated and converted into a major entertainment and destination shopping complex. Part of the revamp includes a multi-purpose hall with a seating capacity of approximately 3,500. To complement the new facilities, the

existing restaurant facilities in HITEC will also be renovated and modern style restaurants will be introduced. The upgrading works started in July 2006 and according to current plan, they will be completed by phases and the revamped complex is scheduled to open in the second half of 2007.

In addition, we believe that in the long run, HITEC will benefit from the redevelopment plan of the old Kai Tak Airport and the Kowloon Bay area under consultations with the public.



Panda Place, shopping mall of Panda Hotel, Tsuen Wan

Panda Place is located on the second, ground and three basement floors of the Group's Panda Hotel. The renovation work to convert it into a modern and trendy shopping mall was completed in late 2005. Panda Place was successfully launched with 80% occupancy rate achieved. Creative promotional campaigns are on-going. The Group is committed to promote Panda Place to be

a popular shopping spot of Tsuen Wan targeting at the middle and upper markets of the more affluent local families and hotel guests.



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

The Group is now developing this site which is opposite to Hopewell Centre into a mixed office and entertainment complex with part thereof let out for food and beverage and entertainment operations. The current planned total investment will be about HK\$150 million. The foundation work was completed in early 2006 and the construction is presently planned to be completed in the third quarter of 2007. The Group's current intention is to hold this property for long term purpose and to add to its investment portfolio of rental properties.



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

The Group is now developing this site which is opposite to Hopewell Centre into a residential and commercial tower. The current planned total investment will be about HK\$280 million. The foundation work is in progress and the construction is presently planned to be completed in the fourth quarter of 2008. The Group's current intention is to hold this property for long term purpose and to add to its investment portfolio of rental properties.



Residential Development, 12 Broadwood Road, Happy Valley

The Group has completed the acquisition of the entire 12 Broadwood Road site in July 2006. The current intention of the Group is to redevelop the site, with a site area of approximately 22,700 square feet, into a 47-floor first class residential property with total gross floor area of approximately 113,900 square feet. Under current planning, the total investment will be about HK\$500 million. Demolition work has commenced in August 2006. The present plan is for construction to be completed in the fourth quarter of 2009. Upon completion, this property will add to the existing investment portfolio of rental properties of the Group and thereby strengthen the Group's recurring revenue base.

Hing Wai Centre, Aberdeen

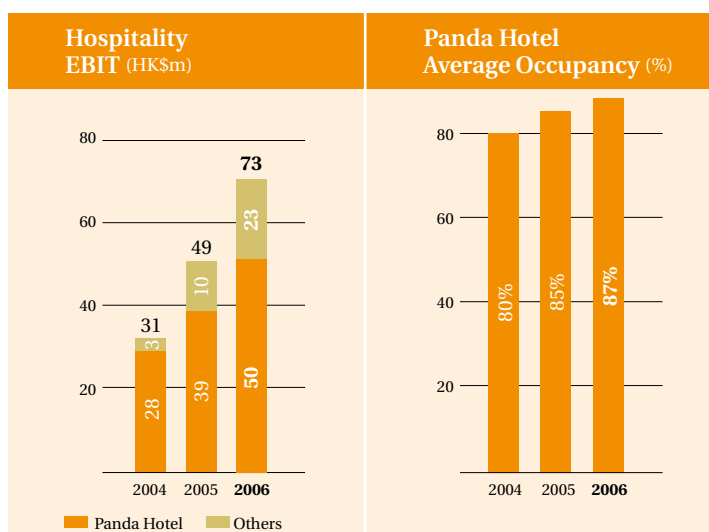
In line with the Group's strategy to focus on high quality residential and commercial properties, the Group has during the year disposed of its interest in the Hing Wai Centre which consists of three floors and various car parking spaces.



Turnover of the hospitality business for the year under review rose 14% to HK\$377 million mainly due to the continued good performance of Panda Hotel and the improved performance of the restaurant and catering services. EBIT increased from HK\$49 million to HK\$73 million, up 49% as compared with last year.

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- 1 Panda Hotel in Tsuen Wan
- 2 R66 restaurant at Hopewell Centre
- 3 High quality service offered to the Group's hospitality customers
- 4 The new YinYue restaurant at Panda Hotel
- 5 Executive Lounge at Panda Hotel



Panda Hotel, Tsuen Wan

For the year under review, average room occupancy was 87%, the highest since the opening of the hotel in 1992. Average room rate also rose by 9% compared with last year. Total revenue was HK\$194 million representing an increase of 11% compared with the previous year. While the key contributors to the room



revenue were tourists from Mainland China, Japan and Korea, guests from other segments such as corporate, long-staying and local residents also provided Panda Hotel with a steady flow of income after the completion of renovation to some of our guest floors, Business Centre, Executive Floor, restaurants and function rooms last year.

A new Chinese restaurant, YinYue, which replaced the Yuet Loy Heen was opened with good response. To further promote business, banquet marketing schemes with attractive promotion packages for corporate clients, social events and outside catering were put in place.

IT Catering

Banqueting business at HITEC performed satisfactorily last year. The catering outlets of IT Catering at HITEC will be repositioned as part of the HITEC revamp plan in the coming year.

Bayern Gourmet Food ("BGF")

The business performance of BGF, which is a manufacturer and supplier of sausages, meats and fish products, improved significantly as Hong Kong's economy continued to improve and spending at restaurants continued to rise. On the retail side, promotion counters were set up in supermarkets to increase public awareness of the brands and products of BGF. Overall, BGF enjoyed a prosperous year with 24% increase in revenue and a 79% increase in EBIT.



Revolving 66 (“R66”) Restaurant

The R66 Restaurant at Hopewell Centre continues to be a popular venue amongst tourists and local residents as the only revolving restaurant now remaining in Hong Kong. A number of joint promotions with local banks, clubs, airlines, Hong Kong Tourism Board increased the profile of the restaurant both locally and internationally. Other promotional offers were launched during the year to attract more patrons. As a result of the promotion efforts, revenue from R66 Restaurant rose by 11% during the year.



Mega Tower Hotel, Wanchai

To strengthen its hotel portfolio, the Group is committed to pursue its plan to develop the proposed 2,000-room Mega Tower Hotel at the adjacent site to the west of Hopewell Centre. According to preliminary assessment at present, the total investment of the project will be about HK\$4.5 billion. 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. A hearing date for the appeal has been scheduled in January 2007. The Group is also reviewing other alternatives in realizing the project.





The Group's property development business comprises of its 50% interest in Nova City, Taipa Island, Macau and its 95% interest in Hopewell New Town in Huadu, Guangzhou, PRC.

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1-4 Completed Nova City Phase I, Macau
 5 Hopewell New Town Phase 1A, Huadu

Nova City, Taipa Island, Macau

Nova Taipa Gardens, in which the Group has a 50% interest, is a multi-phased joint venture property development of residential, commercial, car parks and social amenities on Taipa Island in Macau.



During the year, the joint venture company has disposed of 101 units and 41 car parking spaces in Phase 1 of the project previously held for rental purpose.

Construction of Phase I of Nova City, with about 1,100,000 square feet in gross floor area and a planned total investment cost at present of about HK\$680 million, was completed and occupation permit has been obtained. About 98% of the units were pre-sold and arrangements are in place for those sales to be completed.

Construction of Nova City Phase II, with about 864,000 square feet in gross floor area and a planned total investment cost at present of about HK\$620 million, is well under way and completion is planned to be first quarter of 2007. The pre-sale of Nova City Phase II units was launched in May 2006 and was well received by the market. About a quarter of the units has been pre-sold.

Construction contract for Nova City Phase III, with about 864,000 square feet in gross floor area and a planned total investment cost at present of about HK\$710 million, was awarded in August 2006 and construction would soon commence.

The balance of the project will be developed by phases and is under planning. This includes Nova City Phase IV, which according to present plan, will have about 693,000 square feet in gross floor area for residential purpose.

With the continuous strong economic growth and coming completion of the new hotels and casinos as a result of the liberalization of the casino sector, the Group is optimistic about the Macau property market and its sustainability.



Hopewell New Town, Huadu, Guangzhou

The Group owns a 95% interest in Hopewell New Town, a composite development project in Huadu, Guangzhou. Huadu is one of the fastest growing regions in Guangzhou with the new Baiyun International Airport and the car manufacturing industry as the prime drivers. The project is planned to be developed in phases comprising of residential units, commercial space and a logistics complex. As it is just approximately 2 km from the Guangzhou Baiyun International Airport, it is ideally located to capture the robust demand for residential, commercial and logistics developments generated by the new airport.

Phase 1A of Hopewell New Town, with a total gross floor area of approximately 1,170,000 square feet and planned total investment cost at present of about HK\$300 million, is progressing well. Construction of first four residential apartment blocks and 57 townhouses were completed in December 2005 and the last two blocks were completed in June 2006. With the sale campaign launched in October 2005, approximately 60% of the units has been sold notwithstanding the measures of the PRC government to cool down the property market. The construction of the clubhouse facilities which include basketball and tennis courts as well as a swimming pool was also completed and the facilities are already available for use by residents. Remaining phases are under planning.



EBIT from infrastructure business for the year under review increased 20% from HK\$905 million of the last corresponding year to HK\$1,083 million due to the steady growth in traffic flow and toll revenue of the three toll 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”). Phase I West continued to achieve profitability in its second year of operation, a respectable performance for a new expressway.

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- 1 *Guangzhou East-South-West Ring Road*
 2 *Phase I of the Western Delta Route*
 3 *Guangzhou-Shenzhen Superhighway*

HHI

The Group continues to retain approximately 73% shareholding in HHI which focuses on the initiation, promotion, development, investment and operation of toll expressways and bridges.

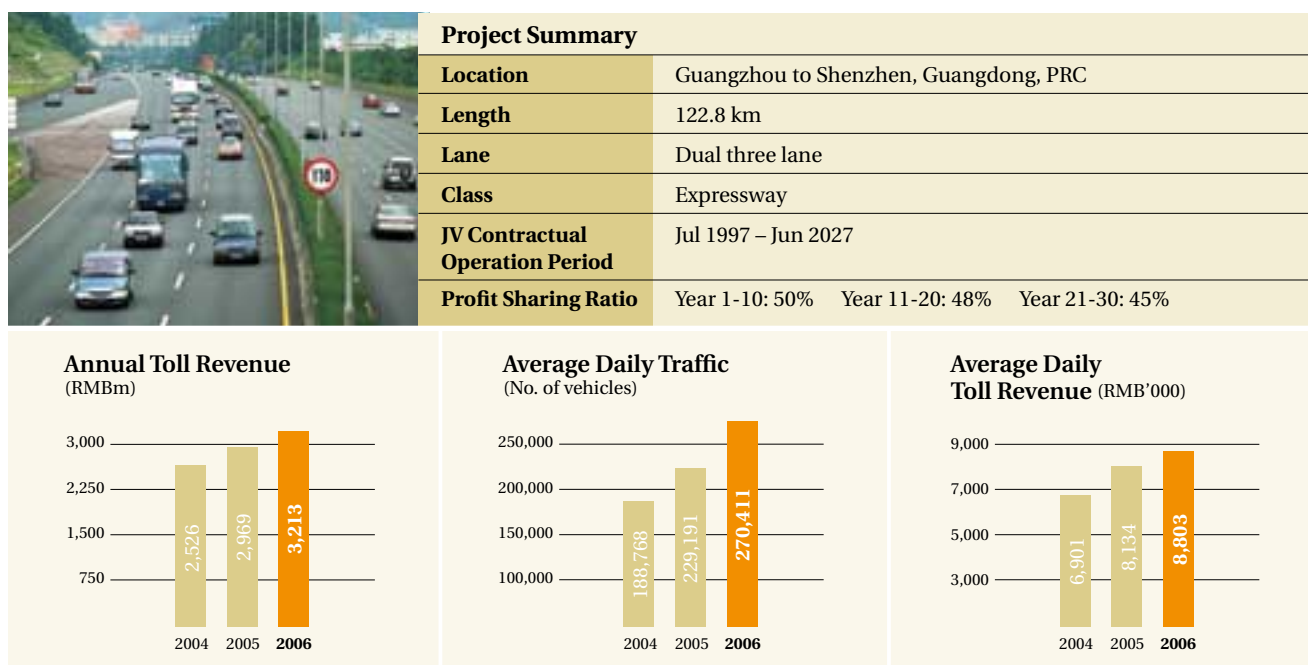
Guangdong Province attained rapid and steady economic growth during the Tenth Five-Year Plan Period with an annualized GDP growth rate up to 13%. The overall competitiveness of Pearl River Delta ("PRD") region, in particular, has been further strengthened by the full-scaled implementation of the Closer Economic Partnership Arrangements ("CEPA"). Prosperous economic activities have stimulated both passenger and cargo flow, which in turn generated enormous travelling demand. For the financial year ended 30th June, 2006, through co-operative joint venture arrangements, HHI's three expressway projects in the PRD region, namely the GS Superhighway, the ESW Ring Road and the Phase I West, all demonstrated continued steady growth in traffic and toll revenue. Compared to the last financial year, the aggregate average daily traffic and daily toll revenue have increased 22% to 377,000 vehicles and 10% to RMB10.29 million respectively. The annual aggregate toll revenue amounted to RMB3,755 million.

As driven by the increasing domestic demand and economic globalization, regional economies are accelerating their pace of integration. Inter-regional trading activities and co-operations are growing remarkably. Being the essential gateway to other provinces in China, the PRD region benefited particularly from the implementation of CEPA and the establishment of the Pan-PRD Economic Zone. Its logistics industry is growing in its full gear. Economic development has also contributed to urbanization in the PRD region, where the number of established cities and towns, population density, household income and automobile ownership rate are ranked in the top tier of the whole country. The improved living standards have boosted up the travelling demand. The annualized target GDP growth rate of Guangdong Province has been set at 9% in the Eleventh Five-Year Plan Period. HHI's strategic holdings in the PRD core expressway network as an advantage will become more prominent. It is expected that the traffic and toll revenue of these three expressways will continue to grow steadily.

The construction of the Phase II of the Western Delta Route, which connects to the Phase I West, commenced in December 2005, while the preliminary preparation works for the Phase III of the Western Delta Route are underway. As the expressway network in the PRD region has been expanding, it will be advantageous to HHI's expressway development.

Benefiting from Renminbi appreciation under the PRC's new Renminbi exchange rate regime since late July 2005, the GS Superhighway joint venture company has recorded an exchange gain on retranslation of the United States dollar bank loans. On the other hand, compared to half-year effect of the last financial year, this financial year was the first full year in which the GS Superhighway joint venture company needed to pay 7.5% PRC income tax on its profit after the expiry of the tax exemption period in December 2004.

Guangzhou-Shenzhen Superhighway (“GS Superhighway”)



The GS Superhighway is a 122.8 km long, closed system, fully lit dual three-lane expressway with 20 interchanges. It is currently the only expressway and major corridor directly connecting Guangzhou, Dongguan, Shenzhen and Hong Kong. It has exhibited continued steady growth since it opened to traffic in 1994. Over the past financial year, its average daily traffic rose 18% to 270,000 vehicles while its average daily toll revenue rose 8% to RMB8.8 million. The annual toll revenue increased to RMB3,213 million, representing an increase of 8% over the last year.


Being the main artery in the expressway network of the PRD, it closely links up the major cities, airport, ports and other expressways including Jihe Expressway, Changhu Expressway, Humen Bridge, Guangzhou Second Ring Road Northern section and Guangzhou Ring Road. It will further connect to the Nanping Expressway in Shenzhen, which will open to traffic in the third quarter of 2006. In addition, the GS Superhighway has successfully implemented the Guangdong Provincial Unitoll System, which now provides registered road users with a non-stop modern traffic network consisting of 10 expressways in the PRD region.

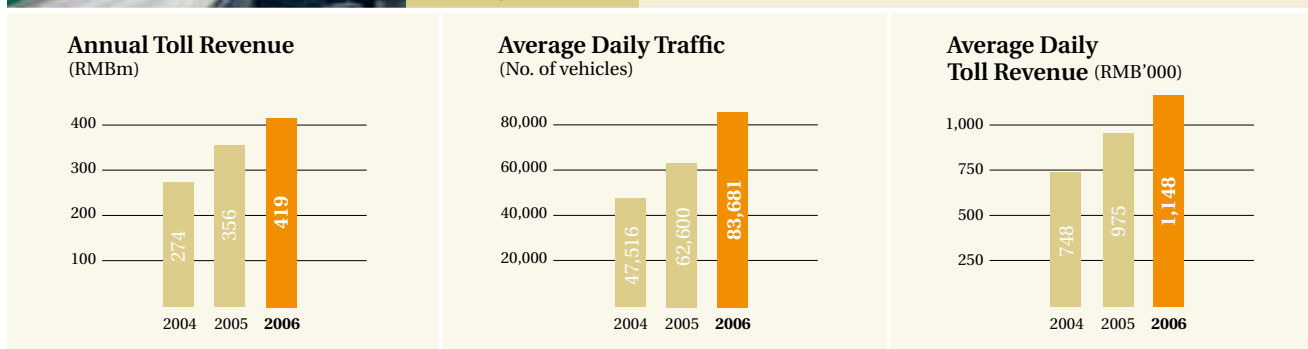
In order to meet the road users' expectation of high quality service, the joint venture company has focused on upgrading the service standards and improving its ancillary facilities. Within the reporting year, the joint venture company finished increasing the number of changeable message signboards, expanding the Changan interchange and constructing the new Shajian toll station. The Xinqiao interchange expansion works are being carried out at the moment. In addition, the joint venture company is planning to increase the throughput capacity of several busy toll stations including Huanggang, Futian and Fuyong. With a view to enhancing traffic safety, the joint venture company

is increasing its manpower and equipment in the areas of road patrol, rescue and traffic control. Furthermore, the number of closed circuit televisions along the main alignment and the frequency of road patrol services will be increased to improve the efficiency and effectiveness in handling traffic accidents. To cater for further increase in traffic volume, HHI together with the joint venture company has been studying the feasibility of widening the GS Superhighway from its current total 6 lanes to 10 lanes, and is actively pursuing the project with the relevant authorities.

HHI believes that with the continuing development of the logistics industry under the sustained economic development in the Guangdong Province and the gradual expansion in the PRD expressway networks together with the rapid increase in automobile ownership, the traffic flow and toll revenue of the GS Superhighway will maintain persistent growth.

Guangzhou East-South-West Ring Road (“ESW Ring Road”)

	Project Summary		
	Location	Guangzhou, Guangdong, PRC	
	Length	38 km	
	Lane	Dual three lane	
	Class	Expressway	
	JV Contractual Operation Period	Jan 2002 – Dec 2031	
	Net Cash Flow Sharing Ratio	Year 1-10: 45%	Year 11-20: 37.5%



The ESW Ring Road is a 38 km long, dual three-lane closed system expressway with 12 toll stations. It is a major route of the expressway network in the PRD and Guangzhou, with connections to the GS Superhighway, the Guangzhou Northern Ring Road, the Guangfo Expressway, the Nansha Port Expressway, the Phase I West and major feeder roads of Guangzhou, creating a circular transportation artery surrounding the central part of Guangzhou city. It serves an important function of alleviating the pressure of traffic congestion in the inner city of Guangzhou and providing a speedy route passing through Guangzhou en route to other destinations.

Backed by the sound economy of Guangzhou, the ESW Ring Road exhibited remarkable growth in traffic flow and toll revenue during the year under review. The average daily traffic grew 34% to 84,000 vehicles while the average daily toll revenue rose 18% to RMB1.15 million. The annual toll revenue reached RMB419 million.

As part of the efforts to build up the greater Guangzhou road network to adequately serve the increasing traffic needs, a local road, running parallel to a portion of the south-east section of ESW Ring Road, has been gradually opening to traffic in 2006. This has resulted in mild traffic diversion for the ESW Ring Road, and thus the slower growth seen in the second quarter of 2006. Though the ESW Ring Road will continue to be a trunk route and a key element of the expanding road network of Guangzhou, the most important city in the PRD with more than 10 million in population, the ESW Ring Road may attain a slower growth in the coming year until this mild diversion has been fully digested.

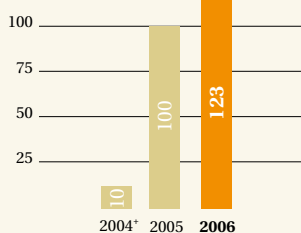
Phase I of the Western Delta Route (“Phase I West”)



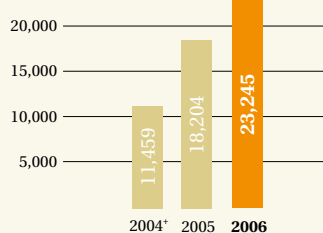
Project Summary

Location	Guangzhou to Shunde, Guangdong, PRC
Length	14.7 km
Lane	Dual three lane
Class	Expressway
JV Contractual Co-operation Period	Sep 2003 – Sep 2033
Profit Sharing Ratio	50%

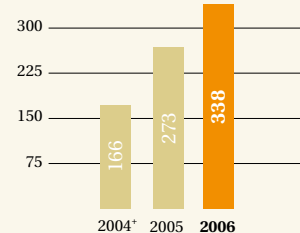
Annual Toll Revenue
(RMBm)



Average Daily Traffic
(No. of vehicles)



Average Daily Toll Revenue
(RMB'000)



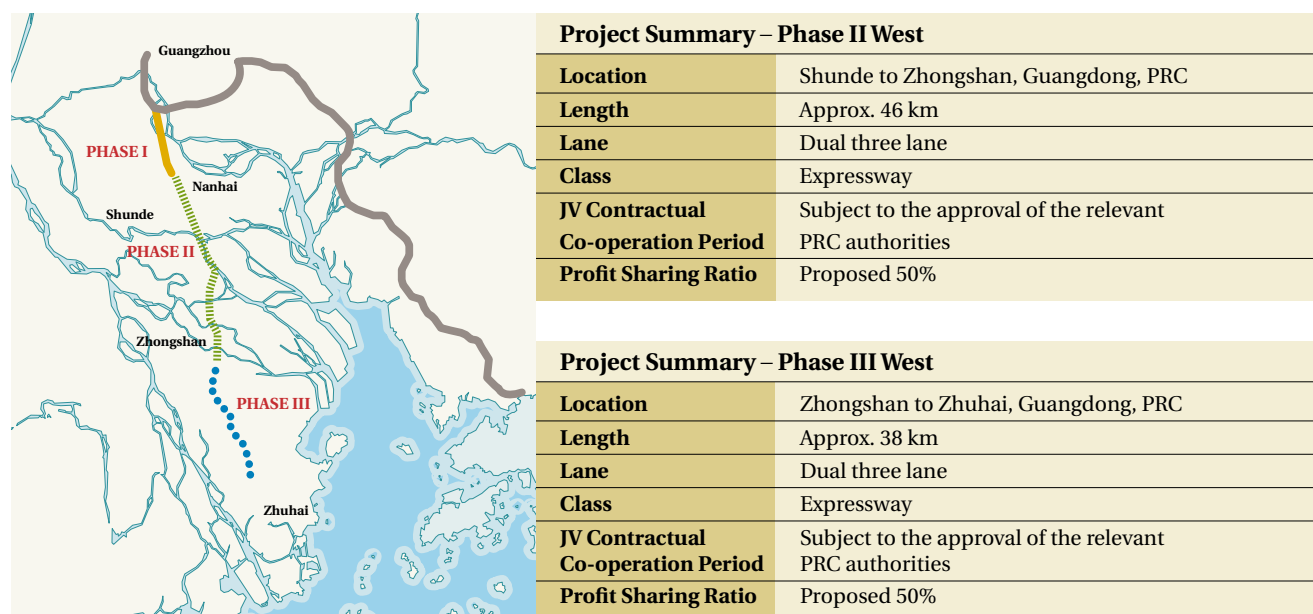
* Operation started on 30th April, 2004

The Phase I West is a 14.7 km closed system dual three-lane expressway. It connects to the ESW Ring Road in the north and to the National Highway 105 and Bigui Road of Shunde in the south.

Currently, the Phase I West is the only expressway directly linking Guangzhou city and the Shunde district of Foshan city. Benefiting from the rapid economic growth of these two regions, the Phase I West continued to achieve robust growth in both traffic flow and toll revenue. During the year under review, average daily traffic flow reached 23,000 vehicles, an increase of 28% over the previous financial year while average daily toll revenue reached RMB340,000, an increase of 24% over the last financial year. Annual toll revenue reached RMB123 million.

In light of the strong economic growth in Guangzhou and Foshan, HHI believes that the Phase I West will continue to enjoy a promising growth in traffic flow and toll revenue.

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



The Western Delta Route is constructed in three phases. The Phase I West was completed and started operations in April 2004. The Phase II West is a 46 km closed system dual three-lane expressway. It links to the Phase I West in Shunde in the north and extends to Zhongshan in the south, where it connects to the National Highway 105 and the western expressways under planning. It will be the only expressway linking Guangzhou to the central part of Zhongshan. Construction of the Phase II West commenced in December 2005 and various works are now in progress. The total investment of the Phase II West is planned to be about RMB4.9 billion (excluding interest during the construction period). It is currently planned to open to traffic and start receiving tolls in financial year 2008/09.

Phase III West is a 38 km expressway project, which connects the Phase II West to Zhongshan and Zhuhai. The total investment of the Phase III West is planned to be about RMB3.6 billion (excluding interest during the construction period). In September 2005, HHI reached consensus with its PRC partner (also the PRC partner of the Phase I West and Phase II West) on conditional amendment to the terms of investment, construction and operation of the Phase III West. The preliminary target is to begin construction in 2007, once the necessary approvals are received.

Upon completion of the whole Western Delta Route, it will become a strategic expressway directly linking up vital cities including Guangzhou, Foshan, Zhongshan and Zhuhai along the western bank of the PRD. According to the Outline Plan of the Eleventh Five-Year Plan for National Economic and Social Development in Guangdong Province, the development in the western flank of Guangdong Province will be accelerated. HHI believes that this policy will bring long-term positive impacts to the Western Delta Route.



Hong Kong-Zhuhai-Macau Bridge Project

As was reported in the media, Hong Kong and Guangdong have attained important breakthrough on the advancement of the development of the Hong Kong-Zhuhai-Macau Bridge project recently in the Ninth Plenary Session on Hong Kong-Guangdong Cooperation. It was agreed that the “separate locations of boundary crossing facilities” mode would be adopted. In parallel, the study on the investment and financing arrangements of the project will continue. HHI is confident that it will be in an advantageous position to assume an important role in this project when it proceeds to the tendering stage.

OTHER PROJECTS

Heyuan Power Plant

In light of the power shortage in the Guangdong province, the Group has taken the opportunity to participate in a proposed 2x600MW coal-fired power plant, with total investment cost under planning at present of about RMB5.4 billion, located in Heyuan City, Guangdong province. A Group's subsidiary plans to own a 40% interest in this proposed project and the remaining 60% will be owned by the Shenzhen Energy Group. Preliminary works, including the application for approval, for this project is well under way.

Shunde Roads

For the Shunde Roads project, during the year, the remaining outstanding disposal amount of HK\$245 million payable by instalments were fully received and a profit of HK\$245 million was recognized during the year.

Tanjung Jati B Power Plant Project ("TJB") in Indonesia

For the TJB project, with the receipt of the final payment, a total gain of HK\$186 million was recognized in the year under review. With all sales proceeds of the TJB disposal have been received, a total cash surplus of HK\$1,643 million was generated to the Group.

Bangkok Elevated Road and Train System ("BERTS")

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 BERTS project. A disposal gain of approximately HK\$265 million was recognized in the year under review, mainly representing write back of provisions.

OTHERS

Employees and Remuneration Policies

The Group has approximately 1,200 employees as at 30th June, 2006. The Group continues to provide competitive remuneration packages to employees with reference to prevailing market practices and individual performance in addition to other staff benefits including medical and personal accident insurance coverage. Share options under the Share Option Scheme as detailed in the Report of the Directors and discretionary bonuses may be granted to employees based on individual performance as



well as the performance of the Group. Apart from the above, training programs are also conducted on an ongoing basis throughout the Group aiming at improving employee productivity. In 2006, we launched a two-year Graduate Trainee Program to develop potential young talent in a conglomerate environment, and to groom tomorrow's leaders for taking up management positions in the Group.



Community Relations

During the year, the Group participated in the following community services: sponsorship for charitable events such as the Treasure Hunt Corporate Challenge, Dress Casual Day and Walk for Millions organized by the Community Chest, concert of the Michael Tilson Thomas and San Francisco Symphony at the Hong Kong Arts Festival and Flag Day of Hong Kong Society for the Protection of Children, donations to charities, volunteers from the Group's employees to participate in various voluntary work projects, etc.

