

CHAIRMAN'S STATEMENT

The construction of Phase II West commenced in December 2005, marking a further step towards the Group's goal to build a comprehensive expressway network in the Pearl River Delta region.



I am pleased to report that Hopewell Highway Infrastructure Limited continued to deliver strong and steady performance for the year ended 30th June, 2006, with net profit rising to HK\$1,128 million, a 25% increase over the last financial year's HK\$899 million. Basic earnings per share increased to HK38.85 cents, a 25% rise over the last year's HK31.18 cents per share.

The satisfactory results were attributable to the continued robust economic growth in the Pearl River Delta ("PRD") region which resulted in a 22% growth in the aggregate average daily traffic flow of the Group's three expressways, the Guangzhou-Shenzhen Superhighway ("GS Superhighway"), the Guangzhou East-South-West Ring Road ("ESW Ring Road") and the Phase I of the Western Delta Route ("Phase I West"), and also a 10% increase in the total toll revenue as compared to that of the last financial year.

The Board of Directors has recommended a final dividend of HK17 cents per share. Together with the interim dividend of HK11.5 cents per share, the dividend for the full year will be HK28.5 cents per share, a 24% increase as compared to HK23 cents for the last financial year. 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.

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.

Financial Status

The Group's financial position has been sound and solid during the financial year ended 30th June, 2006. Due to the continuing strong growth in traffic flow and toll revenue on the three expressways, the Group's core earnings, defined as net profit excluding interest income from shareholder's loan and income from debt securities investments, increased to HK\$1,094 million, up by 28% over the last year's HK\$855 million.

Financial year	2005	2006	Growth rate
GS Superhighway			
Average Daily Traffic (No. of vehicles '000)	229	270	18%
Average Daily Revenue (RMB '000)	8,134	8,800	8%
ESW Ring Road			
Average Daily Traffic (No. of vehicles '000)	63	84	34%
Average Daily Revenue (RMB '000)	975	1,150	18%
Phase I West			
Average Daily Traffic (No. of vehicles '000)	18	23	28%
Average Daily Revenue (RMB '000)	273	340	24%

In addition, the Group also benefited from the appreciation of the Renminbi given that over 71% of the loans of the expressways joint venture companies are in United States dollar ("US dollar") and our toll revenues are in Renminbi ("RMB"). As a result, the Group recorded an exchange gain of HK\$146 million during the year.

The Group's balance sheet remained very strong. Net current assets reached HK\$3,065 million as at 30th June, 2006, a 23% increase over the HK\$2,497 million as at the last financial year end. Benefiting from the strong cash flow generated by its assets, net gearing (total debt less bank balances and cash, pledged bank deposits and debt securities investments to total equity) for the financial year 2006 reduced to 18%, as compared to last financial year's 27%. Operating cashflow increased to HK\$1,461 million, a 13% rise over last year. Moreover, the Company signed a HK\$3.6 billion five-year syndicated loan facility agreement with 15 international and local banks in October 2005. As at the balance sheet date, the Group has cash on hand of HK\$3,408 million. Such a favourable financial position will definitely strengthen the Group's capabilities in investing in new projects.

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Business Review and Outlook

Guangdong Province attained a rapid and steady economic growth during the Tenth 5-Year Plan Period with an annualized GDP growth rate up to 13%. Being the essential gateway to other provinces in China, the PRD region has particularly benefited from the implementation of the Closer Economic Partnership Arrangements and the establishment of the Pan-Pearl River Delta Economic Zone. Prosperous economic activities and strong growth of new car registrations have stimulated both passenger and cargo flow, which in turn generates enormous travelling demand. The strategic importance of the Group's three major expressways in the PRD core expressway network becomes more prominent. With the sustained economic development in the Guangdong Province and the gradual improvement in the PRD expressway networks, coupled with the rapid increase in automobile ownership, it is expected that the traffic and toll revenue of these three expressways will continue to grow steadily.

During the year, despite increase in finance costs due to raises of interest rates for US dollar and RMB loans; and for the first time, PRC income tax of 7.5% was payable full year on profits of the GS Superhighway joint venture company as the five-year full tax exemption period for the project has expired in December 2004, the Group was still able to achieve a satisfactory performance of 25% increase in net profit over that of the last financial year.

The Group continued to improve quality, service and safety of its expressways with focus on upgrading the service standards and improving ancillary traffic facilities. For the GS Superhighway, installation of additional ancillary facilities was completed. Manpower and equipment have been increased in road patrol, rescue and traffic control to enhance traffic safety and improve the efficiency and effectiveness in handling traffic accidents. Expansion of several busy toll stations to facilitate increase in throughput capacity is under planning. To cater for further increase in traffic volume, the Group will continue its study on 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.

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. Along with the steady economic growth of Guangzhou and the successive completion of the neighbouring expressway network, the ESW Ring Road will continue to be one of the key elements in the Guangzhou expressway network.

Phase I West, which has started operation on 30th April, 2004 and attained profitability in its first year of operation, continued to achieve profitability in its second year of operation, a respectable performance for a new expressway. 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.

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The construction of Phase II of the Western Delta Route (“Phase II West”), which connects to the Phase I West, commenced in December 2005, marking a further step towards the Group’s goal to build a comprehensive expressway network in the PRD region. Various works are now in progress and it is currently planned to open to traffic and start receiving tolls in financial year 2008/09.

The preparation works for Phase III of the Western Delta Route (“Phase III West”) are also well under way with the preliminary agreement on the terms of investment, construction and operation of the Phase III West signed with the PRC partner (same partner as Phase I West and Phase II West) in September 2005.

Upon completion of the Phase II West and the Phase III West, the Western Delta Route will become a strategic expressway directly linking up major cities including Guangzhou, Foshan, Zhongshan and Zhuhai along the western bank of the PRD region. As such, the development in the western flank of Guangdong Province will be accelerated. With the continuing growth in economy and car ownership in the PRD region as well as the strong cash flow generated from the expressways, I am confident that the Group is well positioned to grow in tandem with the PRD region.

As was reported in the media, Hong Kong and Guangdong have attained important breakthrough on the progress of the Hong Kong-Zhuhai-Macau Bridge project recently in the Ninth Plenary Session on Hong Kong-Guangdong Cooperation. The Group is confident that we will be in an advantageous position to assume an important role in this project when it proceeds to the tendering stage.

Warrants

The warrants of the Company conferred the right to registered holders to subscribe for shares of the Company at an initial subscription price of HK\$4.18 per share exercisable during the period from 6th August, 2003 to 5th August, 2006. By the date of expiry, aggregate subscription rights of HK\$357,499,863 have been exercised by registered holders and a total of 85,526,283 shares of the Company were issued.

Appreciation

Finally, I would like to express my gratitude to my fellow directors, senior management team, and all staff for their dedication, hard work and contributions during the past year. I would also like to thank all our shareholders, financiers and business partners for their continuous support and confidence in the Group which have contributed towards the success of the Group last year.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 30th August, 2006