

Chairman's Statement



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At Hopewell Holdings we have the vision, the commitment and the resources to build for the future.

Financial Highlights

Amidst the challenging economic environment in the past financial year, net profit attributable to shareholders increased by 82% from HK\$340 million to HK\$618 million. The results reflect improved contributions from the Group's road infrastructure projects, lower finance costs and the write-back of previously made provisions as a result of the disposal of the Group's interest in the Tanjung Jati B Power Plant Project in Indonesia. Earnings per share was HK70.5 cents, representing an increase of 82% over last year.

The Board of Directors has proposed a final dividend of HK18 cents per share which, together with the interim dividend of HK7 cents per share, will result in total dividends for the year of HK25 cents per share. This represents a 92% increase over HK13 cents per share (excluding the special dividend of HK30 cents per share) of last year. The Register of Members of the Company will be closed from Tuesday, 14th October, 2003 to Tuesday, 21st October, 2003, both dates inclusive, during which period no transfer of shares of the Company will be effected. Subject to the approval of the shareholders at the annual general meeting to be held on 21st October, 2003, the final dividend will be paid on or about 23rd October, 2003 to shareholders as registered at the close of business on 21st October, 2003.



Turnaround in Financial Strength

Shareholders will be pleased to note that Hopewell Holdings has now made a turnaround improvement in its financial strength. Debt has been substantially reduced over this period of time, including defeasance of our GS Superhighway Notes and our net debt to equity ratio at this year-end was 16%, compared to 21% last year. Coupled with the reduction of debt, the Group also listed its subsidiary, Hopewell Highway Infrastructure Limited (“HHI”), on the Main Board of the Stock Exchange of Hong Kong on 6th August, 2003, raising over HK\$3 billion. The Group will now consist of two listed companies each with its own portfolio of businesses. HHI will focus on the initiation, promotion, and development of toll roads and bridges. Hopewell Holdings will continue to operate its own core businesses of property and hospitality while retaining approximately 75% shareholding in HHI. In addition, with the resolution of the Tanjung Jati B project, where the Group is to recover net proceeds from the disposal of the project of HK\$1.68 billion over time, the Group’s financial resources will be further strengthened. The Group today is financially sound, having solid business fundamentals and a high degree of transparency. We are very excited to enter a new chapter of growth for Hopewell.

Business Review

Despite the challenging economy, as well as the impact of SARS, the Group’s major business of providing and operating toll road infrastructure in the Pearl River Delta continued to record strong growth in profits. The Group’s hospitality business, like the industry as a whole, was negatively affected, but earnings contributions from this business accounted for only a small portion of Hopewell’s earnings before interest and tax.

The Group reduced its debt levels with the early redemption of the 2007 Notes in August 2002 and the sale of our interest in the Tanjung Jati B power plant project in Indonesia will also help bolster the level of cash reserves.

In view of the strength of the expressway infrastructure business, and to provide better transparency and clarity of this business to investors, the Group placed the expressway projects, comprising the majority of its China toll road network, including the Guangzhou-Shenzhen Superhighway (“GS Superhighway”), Guangzhou ESW Ring Road (“Ring Road”) and Western Delta Route, into a separate entity, which was publicly listed in Hong Kong in August, 2003.

Hopewell Holdings has now made a turnaround improvement in its financial strength.

Infrastructure

The Pearl River Delta has become one of the world's most important manufacturing centres and today our roads form an integral part of the highway network connecting cities. Passengers and freight vehicles' demands on the highways operated by the Group's Joint Ventures are reflected in the performance of the Group's toll road projects.

As seen in the table below, both average daily traffic & toll revenue have increased at the respectable rates.

<i>Financial Year ended 30th June</i>	<i>2002</i>	<i>2003</i>	<i>Growth rate</i>
<i>GS Superhighway</i>			
Average Daily Traffic (No. of vehicles)	123,191	155,394	26%
Average Daily Toll Revenue (RMB)	5,183,936	5,778,931	11%
<i>ESW Ring Road</i>			
Average Daily Traffic (No. of vehicles)	32,757	38,930	19%
Average Daily Toll Revenue (RMB)	486,738	590,053	21%

With Guangdong's GDP as the highest among all provinces in the PRC, with about 25% of the total foreign direct investment in the PRC in 2002, and with car production and ownership continuing its sustained strong growth, the Group remains confident that the infrastructure business will also continue its superior growth.

Property

We have, over the past two years, strengthened our property investments in the region. In Macau, we are moving ahead with the second phase development of Nova Taipa Gardens, a key residential, commercial and hotel/office and social amenities development in which the Group holds a 50% interest.

In Guangzhou, we have completed negotiations and made payment to purchase a development site in Huadu. It is ideally located near to Guangzhou's new international airport and we expect it to be a prime location for commercial, logistics and residential purposes. This property is planned to be developed in phases, aiming at capturing the demand being generated by the new airport.

I believe it is the right time for the Group to activate our own development plans.

In Hong Kong, we hold a valuable and sizeable land bank in the heart of Wanchai along both sides of Queen's Road East. With new office and residential developments beginning to reshape the face of this district, I believe it is the right time for the Group to activate our own development plans. Mega Tower Hotel will lead our aspirations here with plans being developed for a major hotel complex incorporating recreational facilities, ballroom and function rooms, restaurants and an auditorium which will attract conferences and conventions, as well as shops, cinemas and other commercial interests. The recent PRC policy on relaxation of tourist visas for mainland visitors to Hong Kong has already stimulated the local tourism, retail and hospitality sectors, and in the longer term, we are very excited about the business opportunities offered by Mega Tower Hotel, and two neighbouring sites on which a commercial building and a residential building are being planned.

The property investment sector in Hong Kong experienced weak demand in the last year. However, the Hopewell Centre, in Wanchai, has bucked this trend and continued to hold its occupancy levels on a par with those of last year. The Group retains the support of long-term corporate tenants, many of whom have been in the Hopewell Centre for almost 20 years, and we are constantly looking at ways to upgrade offices and the standard and management of on-site facilities. Separately, in Kowloon Bay, the Group is ready to implement plans to expand the use of Hongkong International Trade and Exhibition Centre ("HITEC") for commercial, retail and recreational purposes. We have already obtained consent from the District Lands Conference on the change of land use, in line with the Government's urban re-development plans for southeast Kowloon, and are working on the lease modification procedures. The expanded nature of HITEC's business will complement the district's commercial development.

Long term, we are confident that there is substance in Hong Kong's property market. We believe that districts such as Wanchai will become a natural extension to Central in terms of office supply and hotel location, and will subsequently continue to grow and expand, maintaining their importance as commercial centres.

Hopewell Holdings is well positioned to meet the challenges of the future and to capture opportunities that will emerge across our broad and exciting marketplace.

Hospitality

Our hotel and hospitality interests have gained strength from a difficult year. The Panda Hotel in Tsuen Wan had been on course during the first 8 months of the financial year for a significant improvement in performance over the previous year when it was disrupted by the outbreak of SARS that severely hit Hong Kong's entire hotel sector. Nevertheless, the hotel managed to remain profitable for the year with average occupancy of 65%. We continue to target customers from Mainland China, Korea and South East Asia and expect room rates and occupancy will recover over the coming year. We also expect a positive impact from new Hong Kong Immigration laws that eases restrictions on Mainland China tourists visiting Hong Kong.

Tanjung Jati B Power Plant Project

The persistent effort of the Group has finally resulted in a satisfactory resolution for the Tanjung Jati B Power Plant project in Indonesia. The disposal of the project was concluded subsequent to the year end date and the aggregate net cash consideration to the Group is HK\$1,680 million, of which partial proceeds of approximately HK\$686 million was received on 5th August, 2003. The proceeds from the disposal will further strengthen the financial position of the Group and enhance its capability to explore new investment opportunity.

Prospects

Recent developments have been encouraging for the economic outlook of Hong Kong, such as the signing of the Closer Economic Participation Arrangement and the relaxation of tourist visa approvals for mainlanders to visit Hong Kong. We believe that the efforts of the Hong Kong Government towards revival of the economy is steadily beginning to show tangible results, and will provide more favourable market conditions for the general business community.

With the Group's strong platform of diverse business interests, sound financials and a motivated workforce, Hopewell Holdings is well positioned to meet the challenges of the future and to capture opportunities that will emerge across our broad and exciting marketplace.

The future, I believe, is promising and exciting. The Group is in a stronger position than ever to pursue the strategy we have adopted to invest and develop the property and hospitality markets in Hong Kong and the Pearl River Delta. Under HHI, we will also continue to drive towards completing the expressway network in the Pearl River Delta region. As an example, we are actively pursuing the proposed Hong Kong-Zhuhai-Macau Bridge-Tunnel. I have pursued this project for the last two decades and am confident that the Group is well equipped to participate in this project.

Changes of Directors

In line with the spin-off and listing of HHI, for a clear delineation between the businesses retained by the Company and that of HHI, a number of Board changes were effected before the listing. Mr. Alan Chi Hung CHAN resigned from the Board on 25th July, 2003, and serves only on the HHI Board as Deputy Managing Director. On 6th August, 2003, Mr. Eddie Ping Chang HO became Vice Chairman and Managing Director, while Mr. Thomas Jefferson WU became Deputy Managing Director. Mr. HO and Mr. WU also serve on the board of HHI as Vice Chairman and Managing Director, respectively. Two new Executive Directors, Mr. Andy Lee Ming CHEUNG and Mr. Eddie Wing Chuen HO Jr., were appointed on 16th July, 2003 and 6th August, 2003 respectively.

Acknowledgement

I would like to take this opportunity to thank my fellow directors, senior management teams and all staff for their hard work during this past financial year and their commitment to our platform for growth. My gratitude also goes to our shareholders, financiers and business partners for their invaluable support.

Sir Gordon Ying Sheung WU KCMG, FICE

Chairman

Hong Kong, 8th September, 2003