

## Chairman's Statement



### RESULTS

I am pleased to be able to report that our results for the year has continued to maintain a steady growth. For the year 2006, the Group's consolidated net profit attributable to shareholders amounted to HK\$1,507 million, (2005: HK\$1,303 million), representing a growth of 15.6% as compared with last year. The basic earnings per share were 25.00 HK cents (2005: 22.69 HK cents), representing a growth of 10.2% as compared with last year.

### DIVIDENDS

The Board recommends a final dividend of 5.0 HK cents per share for 2006. Aggregating such dividend with the interim dividend of 5.0 HK cents per share which has already been paid during the year, the total dividend for the entire year will be 10.0 HK cents per share (2005: 9.0 HK cents per share). The said final dividend for 2006, if approved by the shareholders of the Company at the annual general meeting, will be paid on 21 June 2007.

### REVIEW

During the year, management as supported by staffs at all levels throughout the Group has achieved considerable success in implementing our strategy of steady development.

Across the board, all six businesses of the Group, namely water distribution, electric power generation, toll roads and bridges, property investment and development, department stores, and hotel operations and management, have shown satisfactory growth. Notwithstanding that our water distribution business in the Shenzhen and Dongguan areas was affected by weather and our power generation business faced competition from other power plants, management managed to overcome all these difficulties. As a result, our water sales volume to the Shenzhen and Dongguan areas and our electricity sales volume have continued their growth. In addition, benefited from the further increase in not only the water tariff for the Shenzhen and Dongguan areas, but also the electricity tariff, the increases in respectively our water sales revenue to the Shenzhen and Dongguan areas and our electricity sales revenue are both considerable and satisfactory.

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Adhering to the core values of "Credibility, Integrity and Profitability" underlying our corporate culture, the Group has stepped up its efforts in grooming and developing a strong management team true to our core values and thereby laying a solid foundation for the Group's continual growth in profitability and long term development. At the same time, the Group sought to improve the quality of its management processes by not only systematically enforcing all its various internal policies and regulations, but also continuing to update, supplement and clarify such policies and regulations to make sure they can keep up with the changing needs of the enterprise in the different stages of its development.

Capitalising on the favourable conditions in the capital market, the management has successfully entered into an agreement with the Industrial and Commercial Bank of China for a four-year term loan facility of HK\$1.274 billion to refinance its then existing Tranche B Credits of HK\$1.231 billion and to pay related expenses. Upon completion of the refinancing, the interest rate of the borrowing has been reduced from 8% per annum to HIBOR plus 0.4% per annum. Based on the average 3-month HIBOR rate at that time, the refinancing will achieve interest savings of approximately HK\$120 million for the term of the refinanced loan. The refinancing is undoubtedly also a strong vote of confidence on the part of the banking industry in the Group's credit-worthiness and future prospects.

## PROSPECTS

With the rapid economic growth and the rising living standard in Mainland China, the significance and demand of quality water resources is also on the rise. Management has reasons to remain optimistic with the revenue outlook of our water distribution business.

The Group's Teem Tower is a 45-storey A-class office tower located in the prime area of Guangzhou. With the completion of the building in 2007 and the very encouraging response at the pre-leasing stage, the Teem Tower is expected to provide an additional source of steady rental income for the Group.

All the Group's other businesses are expected to benefit from China's rapid economic growth. Notwithstanding the different degrees of market competition faced by the businesses, the management believes that with our corporate culture of "Credibility, Integrity and Profitability", the solid foundation of our Group, and also our dedicated team of professionals, the businesses of the Group as a whole will be able to stay on course with their upward trends.

In line with its business strategy, the Group is stepping up its business development efforts, with particular emphasis on utilities and infrastructure. The management is at present closely tracking the market situation and is also actively exploring a number of possible water resources (including hydro-power projects) and power generation related projects, as well as possible new investments in toll road projects so as to create even higher values for shareholders. When opportunities arise, the Company will either spin off or dispose of its hotel business.

Finally, on behalf of the Board, I would like to thank all the shareholders for their support and also all our management and staff for their dedication and hard work and the good results they have helped the Group to achieve.

**LI Wenyue**

*Chairman*

Hong Kong, 13 April 2007