

Report of the Directors

The Directors have pleasure in presenting their annual report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30th June, 2005.

Principal Activities

The principal activity of the Company is investment holding and its subsidiaries are active in the field of investment in infrastructure projects, property development and investment, property agency and management, hotel investment and management, restaurant operations and food catering.

Results

The results of the Group for the year ended 30th June, 2005 are set out in the consolidated income statement on page 59.

Dividends

The Directors recommend the payment of a final dividend of HK38 cents (2004: HK30 cents) per share which, together with the interim dividend of HK12 cents (2004: HK10 cents) and the special interim dividend of HK30 cents (2004: HK30 cents) per share paid on 30th March, 2005, represents a total dividend distribution of HK80 cents (2004: HK70 cents) per share, totaling HK\$718 million in respect of the year ended 30th June, 2005 (2004: HK\$622 million).

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Operations Review" as set out on pages 14 to 37.

Share Capital

Movements in share capital of the Company during the year are set out in note 32 to the financial statements.

Share Premium and Reserves

Movements in share premium and reserves during the year are set out in note 33 to the financial statements.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$10,386,000 (2004: HK\$ 4,495,000).

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 19 and 20 to the financial statements respectively. Particulars regarding the major properties and property interests of the Group are set out on pages 114 and 115.

Major Customers and Suppliers

The turnover attributable to the Group's five largest customers combined was less than 30% of the Group's turnover for the year. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

Directors

The Directors of the Company as at the date of this report are set out on pages 8 to 13 of the annual report. Changes during the year and up to the date of this report are as follows:-

Mr. Camelo Ka Sze LEE	(re-designated as Non-Executive Director on 6th September, 2004)
Mr. Lee Yick NAM	(appointed on 6th September, 2004)
Mr. Barry Chung Tat MOK	(appointed on 15th August, 2005)

In accordance with the Company's Articles of Association, Mr. Josiah Chin Lai KWOK, Mr. Guy Man Guy WU, Lady Ivy Sau Ping KWOK WU, Ms. Linda Lai Chuen LOKE, Mr. Colin Henry WEIR and Mr. Barry Chung Tat MOK will retire at the forthcoming annual general meeting and all of them, being eligible, offer themselves for re-election.

Profile of Directors

Profile of the Directors of the Company as at the date of the report are set out on pages 8 to 13.

Senior Management

Dr. Tai Tei YU, aged 45, Qualified Accountant, joined the Group in October 2000 as the Group Financial Controller. He is involved in the Group's finance and accounting activities, operation review and information system. He has a Doctor degree in Business Administration from the Hong Kong Polytechnic University and a Master degree in Business Administration from Warwick University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators respectively; and a member of the Certified General Accountants Association of Canada. Prior to joining the Group, he has worked for renowned multi-national companies and Inland Revenue Department in the areas of business control, finance and accounting, audit and tax.

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors of the Company who are also regarded as members of the Group's senior management.

Directors' Interest in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or were parties and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30th June, 2005, the interests and short positions of the Directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) the Company⁽ⁱ⁾

Directors	Shares				Underlying Shares of Equity derivatives ^(iv) (i.e. share option)	Total interests	% of issued share capital
	Personal interest (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests ⁽ⁱⁱⁱ⁾			
Gordon Ying Sheung WU	71,744,032	21,910,000 ^(v)	111,250,000 ^(vi)	30,680,000	–	235,584,032 ^(ix)	26.24%
Eddie Ping Chang HO	25,360,000	246,000	2,050,000	–	–	27,656,000	3.08%
Josiah Chin Lai KWOK	1,005,000	–	–	–	–	1,005,000	0.11%
Thomas Jefferson WU	27,120,000	–	820,000	–	–	27,940,000	3.11%
Henry Hin Moh LEE	7,695,322	–	–	–	–	7,695,322	0.86%
Robert Van Jin NIEN	720,000	–	–	–	–	720,000	0.08%
Guy Man Guy WU	2,645,650	–	–	–	–	2,645,650	0.29%
Ivy Sau Ping KWOK WU	21,910,000	121,804,032 ^(vii)	61,190,000 ^(viii)	30,680,000	–	235,584,032 ^(ix)	26.24%
Linda Lai Chuen LOKE	–	1,308,981	–	–	–	1,308,981	0.15%
David Yau-gay LUI	8,537	–	–	–	–	8,537	0.00%
Albert Kam Yin YEUNG	250,000	–	–	–	950,000	1,200,000	0.13%
Andy Lee Ming CHEUNG	500,000	–	–	–	500,000	1,000,000	0.11%
Eddie Wing Chuen HO Junior	5,000	–	–	–	495,000	500,000	0.06%
Lee Yick NAM	90,000	–	–	–	–	90,000	0.01%

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives of the Company were long positions. None of the Directors or chief executives held any short position in the shares and underlying shares of equity derivatives of the Company.
- (ii) The corporate interests were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The other interests in 30,680,000 shares represented the interests held by Sir Gordon Ying Sheung WU ("Sir Gordon WU") jointly with his wife Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU").
- (iv) The interests in underlying shares of equity derivatives represented interests in options granted to Directors under the 2003 Share Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options of the Company".
- (v) The family interests in 21,910,000 shares represented the interests of Lady Ivy WU.
- (vi) The corporate interests in 111,250,000 shares held by Sir Gordon WU included the interests in 61,190,000 shares referred to in Note (viii).
- (vii) The family interests in 121,804,032 shares represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 50,060,000 shares held by Sir Gordon WU through corporations.
- (viii) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (ix) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

(B) Associated Corporations

(a) Hopewell Highway Infrastructure Limited (“HHI”)

Directors	HHI shares	Underlying shares of Equity derivatives ⁽ⁱ⁾ (i.e. HHI warrants)				Total interests	% of issued share capital
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests		
Gordon Ying Sheung WU	300,000 ⁽ⁱⁱⁱ⁾	6,249,403	2,191,000 ⁽ⁱⁱⁱ⁾	11,124,999 ^(iv)	3,068,000 ^(v)	22,933,402 ^(xi)	0.80%
Eddie Ping Chang HO	2,165,600 ^(vi)	–	–	–	–	2,165,600	0.07%
Thomas Jefferson WU	450,000 ^(vii)	4,084,000	–	82,000	–	4,616,000	0.16%
Henry Hin Moh LEE	–	279,530	–	–	–	279,530	0.01%
Robert Van Jin NIEN	–	10,000	–	–	–	10,000	0.00%
Ivy Sau Ping KWOK WU	300,000 ^(viii)	2,191,000	11,255,403 ^(ix)	6,118,999 ^(x)	3,068,000 ^(v)	22,933,402 ^(xi)	0.80%
David Yau-gay LUI	–	853	–	–	–	853	0.00%

Notes:

- (i) These represented warrants of HHI, which conferred rights to subscribe for HHI shares at HK\$4.18 per HHI share (subject to adjustments) exercisable during a period of 3 years from 6th August, 2003 to 5th August, 2006.
- (ii) These HHI warrants were beneficially owned by a company in which the relevant Director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The interests in 300,000 HHI shares and 2,191,000 underlying shares of HHI warrants were interests held by Lady Ivy Sau Ping KWOK WU (“Lady Ivy WU”), the wife of Sir Gordon Ying Sheung WU (“Sir Gordon WU”). The former interests represented the same block of shares in Note (viii).
- (iv) The corporate interests in 11,124,999 underlying shares of HHI warrants held by Sir Gordon WU included the corporate interests in 6,118,999 underlying shares of HHI warrants referred to in Note (x).
- (v) The other interests in 3,068,000 underlying shares of HHI warrants represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (vi) The interests in 2,165,600 HHI shares held by Mr. Eddie Ping Chang HO included personal interests of 1,936,000 HHI shares, family interests of 24,600 HHI shares and corporate interests of 205,000 HHI shares.
- (vii) The interests in 450,000 HHI shares represented beneficial interests of Mr. Thomas Jefferson WU.
- (viii) The interests in 300,000 HHI shares were personal interests beneficially owned by Lady Ivy WU and represented the same block of shares in Note (iii).
- (ix) The family interests in 11,255,403 underlying shares of HHI warrants represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 5,006,000 underlying shares of HHI warrants held by Sir Gordon WU through corporations.
- (x) The corporate interests in 6,118,999 underlying shares of HHI warrants were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (xi) Sir Gordon WU and Lady Ivy WU were deemed under the SFO to have same interests with each other.

(b) HCNH Insurance Brokers Limited (“HCNH”)

Mr. Eddie Ping Chang HO together with his associate beneficially owned 600,000 ordinary shares of HCNH, representing 50% of its issued share capital, through Hong Kong Insurance Agency Limited which was 100% owned by him together with his associate.

All the above interests in the shares and underlying shares of equity derivatives of associated corporations were long positions.

Save as aforesaid, as at 30th June, 2005, none of the Directors or chief executives had any other interests or short positions in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options of the Company

The shareholders of the Company approved the termination (to the effect that no further options shall be offered) of the 1994 Share Option Scheme and the adoption of a new share option scheme (the “2003 Share Option Scheme”) both effective on 1st November, 2003.

(A) 1994 Share Options Scheme

- (1) The 1994 Share Option Scheme was terminated on 1st November, 2003 and no further options may be granted under the 1994 Share Option Scheme. During the year, a total of 14,200,000 options, which were granted prior to the termination of the 1994 Share Option Scheme and subject to the provisions of the 1994 Share Option Scheme, were exercised. A summary of some of the principal terms of the 1994 Share Option Scheme is set out in (2) below. As at 30th June, 2005, there were no outstanding options under the 1994 Share Option Scheme.
- (2) The purpose of the 1994 Share Option Scheme is to give an interest to executive directors and employees of the Company or any of its subsidiaries in preserving and maximizing shareholder value in the long term. It also enables the Company to attract and retain experienced and capable individuals by providing them with incentives for future performance.

Under the 1994 Share Option Scheme and “The Rules Governing the Listing of Securities on the stock Exchange”, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the 1994 Share Option Scheme. The maximum entitlement of each participant under the 1994 Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company.

The period under which an option may be exercised will be determined by the Board of Directors of the Company in its discretion, save that an option may not be exercised earlier than 6 months after the date of grant (i.e. the date on which the option is accepted) and shall expire not later than 10 years after the date of grant. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option. The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall not be less than the highest of (a) the closing price of the

shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share in the Company.

(3) Details of the movement of share options under the 1994 Share Option Scheme during the year ended 30th June, 2005 were as follows:

	Date of grant	Exercise Price HK\$	Balance of outstanding options at 01/07/2004	Options granted during the year	Options exercised during the year	Options cancelled/lapsed during the year	Balance of outstanding options at 30/06/2005	Exercise period	Closing price immediately before date of grant falling within year HK\$
<i>Directors</i>									
Gordon Ying Sheung WU	09/09/2003	9.55	8,000,000	–	8,000,000	–	–	09/03/2004 – 09/09/2008	N/A
Josiah Chin Lai KWOK	28/03/2002	6.15	1,000,000	–	1,000,000	–	–	28/09/2002 – 27/09/2005	N/A
Thomas Jefferson WU	03/04/2002	6.15	2,400,000	–	2,400,000	–	–	03/10/2002 – 02/10/2005	N/A
Robert Van Jin NIEN	01/04/2002	6.15	1,000,000	–	1,000,000	–	–	1/10/2002 – 30/09/2005	N/A
<i>Employees of the Group</i>									
	02/04/2002	6.15	1,800,000	–	1,800,000	–	–	2/10/2002 – 01/10/2005	N/A
Total			14,200,000	–	14,200,000	–	–		

The weighted average closing prices of the shares of the dates immediately before the dates on which the options were exercised by Sir Gordon Ying Sheung WU, Mr. Josiah Chin Lai KWOK, Mr. Thomas Jefferson WU, Mr. Robert Van Jin NIEN and employees of the Group during the year were HK\$16.55, HK\$16.10, HK\$16.76, HK\$16.74 and HK\$16.74 respectively.

The options granted on 9th September, 2003 are exercisable during a period of 4.5 years after the expiry of 6 months from the date of grant.

The options granted, other than those granted on 9th September, 2003, are exercisable in the following manner:

Maximum proportion of options exercisable including the proportion of options previously exercised	Exercisable period
1/3	From the expiry of 6 months from the date of grant of option up to 18 months from the date of grant
2/3	From the expiry of 18 months from the date of grant of option up to 30 months from the date of grant
3/3	From the expiry of 30 months from the date of grant of option up to 42 months from the date of grant

(B) 2003 Share Options Scheme

- (1) The 2003 Share Option Scheme will expire on 31st October, 2013, but any options then outstanding will continue to be exercisable. A summary of some of the principal terms of the 2003 Share Option Scheme is set out in (2) below.
- (2) The 2003 Share Option Scheme is designated to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and / or providing benefits to any eligible persons (including substantial shareholders of the Company, directors or employees or consultants, professionals or advisers of / to each member of the Group) and for such other purposes as the Board may approve from time to time.

Under the 2003 Share Option Scheme, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the 2003 Share Option Scheme, unless a fresh approval from the shareholders is obtained. The maximum entitlement of each participant under the 2003 Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company. As at the date of this report, a total of 85,048,212 shares (representing approximately 9.47% of the issued share capital of the Company) are available for issue under the 2003 Share Option Scheme.

The period under which an option may be exercised will be determined by the Board of Directors of the Company in its discretion, save that an option shall expire not later than 10 years after the date of grant. Unless otherwise determined by the Board of Directors of the Company and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 14 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option. The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (deemed to be the date of offer), which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share in the Company.

All options granted are exercisable from the date of grant.

(3) Details of the movement of share options under the 2003 Share Option Scheme during the year ended 30th June, 2005 were as follows:-

<i>Directors</i>	<i>Date of grant</i>	<i>Exercise Price HK\$</i>	<i>Balance of outstanding options at 01/07/2004</i>	<i>Options granted during the year</i>	<i>Options exercised during the year</i>	<i>Options cancelled/lapsed during the year</i>	<i>Balance of outstanding options at 30/06/2005</i>	<i>Exercise period</i>	<i>Closing price immediately before date of grant falling within year HK\$</i>
Albert Kam Yin YEUNG	08/09/2004	17.10	–	1,200,000	250,000	–	950,000	08/09/2004 – 07/09/2007	17.00
Andy Lee Ming CHEUNG	08/09/2004	17.10	–	1,000,000	500,000	–	500,000	08/09/2004 – 07/09/2007	17.00
Eddie Wing Chuen HO Junior	08/09/2004	17.10	–	500,000	5,000	–	495,000	08/09/2004 – 07/09/2007	17.00
Total			–	2,700,000	755,000	–	1,945,000		

The weighted average closing prices of the shares on the dates immediately before the dates on which the options were exercised by Mr. Albert Kam Yin YEUNG, Mr. Andy Lee Ming CHEUNG and Mr. Eddie Wing Chuen HO Junior during the year were HK\$18.61, HK\$19.00 and HK\$18.80 respectively.

The fair value of the share options granted during the year with the exercise price per share of HK\$17.1 is estimated at HK\$3.5 at the date of grant using the Black-Scholes option pricing model. The value is estimated based on the risk free rate of 2.55% per annum with reference to the rate on the 3-year Exchange Fund Notes, an estimated one-year historical volatility of 35.9% of the closing price of the shares of the Company and assuming an expected option life of 3 years and same level of annual dividends as the last year's regular dividends of HK40 cents per share over the option life.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Share Options of HHI

- (a) The share option scheme of HHI was approved by the written resolutions of the then sole shareholder of HHI passed on 16th July, 2003 and approved by shareholders of the Company at an extraordinary general meeting held on 16th July, 2003 (the “HHI Option Scheme”). The HHI Option Scheme will expire on 15th July, 2013. A summary of some of the principal terms of the HHI Option Scheme is set out in (b) below.
- (b) The purpose of the HHI Option Scheme is to provide HHI with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to (i) any executive or non-executive directors including independent non-executive directors or any employees of each member of the HHI group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the HHI group; (iii) any consultants, professional and other advisers to each member of the HHI group; (iv) any chief executives, or substantial shareholders of HHI; (v) any associates of director, chief executive or substantial shareholder of HHI and (vi) any employees of substantial shareholder of HHI or such other purposes as the board of directors of HHI may approve from time to time.

Under the HHI Option Scheme, the maximum number of shares in HHI which may be issued upon exercise of all options to be granted under the HHI Option Scheme and any other share option scheme of HHI will not exceed 10% of the total number of shares of HHI in issue immediately following completion of the initial public offering, unless a fresh approval of shareholders of HHI is obtained. The maximum entitlement of each participant under the HHI Option Scheme in any 12-month period must not exceed 1% of the issued share capital of HHI. As at the date of this report, a total of 283,200,000 shares (representing 9.8% of the issued share capital of HHI) are available for issue under the HHI Option Scheme.

The period during which an option may be exercised will be determined by the board of directors of HHI at its absolute discretion and shall expire not later than 10 years after the date of grant. Unless otherwise determined by the board of directors of HHI and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the board of directors of HHI may in its absolute discretion determine and notified to a participant. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, being the date on which the offer is accepted (or, if such date is not a business day, the next following business day ("Grant Date")); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value of a share in HHI.

(c) Details of the movement of share options of HHI under the HHI Option Scheme during the year ended 30th June, 2005 are as follows:-

	Date of grant	Exercise Price HK\$	Balance of outstanding options at 01/07/2004	Options granted during the year	Options exercised during the year	Options cancelled/lapsed during the year	Balance of outstanding options at 30/06/2005	Exercise period	Closing price immediately before date of grant falling within year HK\$
<i>Directors of HHI</i>									
Leo Kwok Kee LEUNG	08/09/2004	4.875	-	2,000,000	-	-	2,000,000	08/09/2004 - 07/09/2007	4.875
Christopher Shih Ming IP ^(Note)	13/09/2004	4.880	-	2,000,000	2,000,000	-	-	13/09/2004 - 12/09/2007	4.850
<i>Employee of HHI</i>									
	08/09/2004	4.875	-	800,000	400,000	-	400,000	08/09/2004 - 07/09/2007	4.875
Total			-	4,800,000	2,400,000	-	2,400,000		

Note: Mr. Christopher Shih Ming IP resigned as director of HHI with effect from 5th January, 2005.

All options granted are exercisable from the date of grant.

The weighted average closing prices of the shares of the dates immediately before the dates on which the options were exercised by Mr. Christopher Shih Ming IP and the employee during the year were HK\$5.02 and HK\$6.00 respectively.

The fair values of the share options granted during the year with the exercise price per share of HK\$ 4.875 and HK\$4.88 are estimated at HK\$0.27 and HK\$0.28 respectively at the dates of grant using the Black-Scholes option pricing model. The value is estimated based on the risk free rate of 2.325% per annum with reference to the rate on the 3-year Exchange Fund Notes, an estimated one year historical volatility of 1.47% of the closing price of the shares of HHI, and assuming an expected option life of 3 years and same level of annual dividends as the last year's dividend of HK22.5 cents per share over the option life.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the year are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Number of Ordinary Shares

As at 30th June, 2005, the outstanding options were 1,945,000 shares. If these were to be fully exercised, the number of ordinary shares would increase from 897,970,121 shares to 899,915,121 shares.

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous sections headed “Share Options of the Company” and “Share Options of HHI”, at no time during the year ended 30th June, 2005 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors’ Remuneration

The Directors’ fees are determined by shareholders at the annual general meeting and the other emoluments payable to Directors are determined by the Board of Directors with reference to the prevailing market practice, the Company’s remuneration policy, the Directors’ duties and responsibilities within the Group and contribution to the Group.

Service Contracts of Directors

No directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation). All the Independent Non-Executive directors of the Company are appointed for a fixed period but subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Articles of Association.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund (“MPF”) Schemes Ordinance, the Group has set up the MPF Schemes. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees’ monthly relevant income capped at HK\$20,000. During the year, the Group made contributions to the MPF Schemes amounted to HK\$6,486,000.

Management Contracts

No contract of significance concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

Substantial Shareholder

Save as disclosed under the section headed “Directors’ Interests in Shares, Underlying Shares and Debentures”, as at 30th June, 2005, the Company had not been notified of any other interest or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under section 336 of the SFO.

Purchase, Sale or Redemption of Securities

In August 2004, Guangzhou-Shenzhen Superhighway (Holdings) Ltd., a subsidiary of the Company, redeemed the matured US\$194 million unsecured 9⁷/₈% fixed-rate Notes at 100% of their principal amounts.

During the year, the Company also repurchased 1,067,000 shares on the Stock Exchange at an aggregate consideration, including transaction costs, of HK\$19,912,143. All the repurchased shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$2,667,500 was credited to capital redemption reserve and the aggregate consideration was paid out from the Company’s retained profits. Details of the repurchases are as follows:-

<i>Month of the repurchases</i>	<i>Total no. of the ordinary shares repurchased</i>	<i>Highest price paid per share HK\$</i>	<i>Lowest price paid per share HK\$</i>	<i>Aggregate consideration paid (including transaction costs) HK\$</i>
January 2005	717,000	19.10	17.75	13,209,396
February 2005	250,000	19.60	19.55	4,902,939
March 2005	100,000	17.95	17.95	1,799,808
	1,067,000			19,912,143

The purchases were made for the benefit of the shareholders with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year.

Code of Best Practice and Model Code

The company has complied with the Code of Best Practice set out in the then Appendix 14 of the Listing Rules throughout the year ended 30th June, 2005. The Code of Best Practice was replaced by the Code on Corporate Governance Practices (the “Code of CG Practices”) which is applicable to the Company for the financial year commencing 1st July, 2005. The Company has proceeded to take measures to comply with the Code of CG Practices.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (“the Code”). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Code for the year under review.

Confirmation on Independence

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and still considers such Directors to be independent.

Connected Transaction

During the year, the Group has entered into the following transaction as described below with the person who is a “connected person” of the Company for the purposes of the Listing Rules:

On 14th July, 2004, two conditional amending agreements (“Amending Agreements”) were entered into between Hopewell Guangzhou-Zhuhai Superhighway Development Limited (“HHI West HK Co”), a wholly owned subsidiary of HHI, and Guangdong Provincial Highway Construction Company Limited (“West Route PRC Partner”) in connection with the investment in and the planning, design, construction and operation of Phase II of the Western Delta Route (“Phase II West”) through Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (“West Route JV”). The Amending Agreements were to amend the Sino-foreign co-operative joint venture contract dated 5th January, 2004 made between HHI West HK Co and West Route PRC Partner and to amend the articles of association of West Route JV dated 5th January, 2004.

The major terms of the Amending Agreements were to expand the areas of co-operation to include Phase II West and related facilities in addition to Phase I of the Western Delta Route (“Phase I West”) with an estimated total amount of investment in Phase II West of RMB 4,900 million. The registered capital of West Route JV will be increased by RMB 1,715 million (from RMB 588 million to RMB 2,303 million) which will be contributed in cash by HHI West HK Co and West Route PRC Partner in equal share.

Subject to the approval of the relevant PRC authorities, the co-operation period will be 30 years commencing on the date on which new business licence of West Route JV is issued. The co-operation period may be extended by unanimous approval by the board of directors of West Route JV and the relevant regulatory authorities within six months before the expiry of the co-operation period. Upon expiry of the respective co-operation period of Phase I West and Phase II West, all fixed assets will be transferred to the government department which regulates transportation at nil consideration and West Route JV will be dissolved with any assets remaining after satisfaction of outstanding liabilities to be distributed to West Route PRC Partner and HHI West HK Co in equal share.

Pursuant to Clause 46 of the Listing Agreement made between HHI and the Stock Exchange and the letter dated 7th August, 2003 from the Company to the Stock Exchange, West Route JV, being a Sino-foreign co-operative joint venture enterprise jointly controlled by the HHI Group and the West Route PRC Partner, which operates a toll road project, is deemed to be a subsidiary of HHI and the Company for the purposes of the then Chapter 14 of the Listing Rules. West Route PRC Partner currently has a 50% interest in each of West Route JV and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (which is a Sino-foreign co-operative joint venture between West Route PRC Partner and a subsidiary of HHI) and is accordingly deemed to be a connected person of HHI and the Company for the purpose of Chapter 14A of the Listing Rules.

The connected transaction, which details were contained in the joint press announcements by HHI and the Company dated 14th July, 2004 and 4th August, 2004 and the joint circular issued on 21st August, 2004, has been duly approved by the shareholders of the Company at the extraordinary general meeting held on 6th September, 2004.

Audit Committee

The Company has established an audit committee since March 1999. The audit committee comprises three Independent Non-Executive Directors, Mr. Lee Yick NAM as Chairman, Ms. Linda Lai Chuen LOKE and Mr. Guy Man Guy WU. Its duties include review and supervision of the Company's financial reporting process and internal control systems. It has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including review of unaudited interim financial statements and audited annual financial statements. It has also reviewed the audited financial statements of the Group for the year ended 30th June, 2005.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Disclosure under Chapter 13 of the Listing Rules

The Sino-foreign co-operative joint venture enterprises jointly controlled by the HHI Group and the PRC joint venture partners which operate toll roads and infrastructure projects have, following the listing of HHI on the Stock Exchange in 2003, been deemed as subsidiaries of the Company for the purpose of the disclosure requirements under Chapter 13 of the Listing Rules. Accordingly, information on advances and financial assistance to such joint venture enterprises is no longer required under Rules 13.13, 13.16, 13.20 and 13.22 of the Listing Rules to be specifically disclosed in the annual report.

Auditors

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 1st September, 2005