

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, 2006.

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, 2006 are set out in the consolidated income statement on page 63.

Dividends

The Directors recommend the payment of a final dividend of HK48 cents (2005: HK38 cents) per share which, together with the interim dividend of HK36 cents (2005: interim dividend of HK12 cents and special interim dividend of HK30 cents) per share paid on 23rd March, 2006, represents a total dividend distribution of HK84 cents (2005: HK80 cents) per share, totalling HK\$755 million in respect of the year ended 30th June, 2006 (2005: HK\$718 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 35.

Share Capital

Movements in share capital of the Company during the year are set out in note 38 to the financial statements.

Share Premium and Reserves

Movements in share premium and reserves during the year are set out in note 39 to the financial statements.

Distributable Reserve

The Company's distributable reserve at 30th June, 2006 amounts to HK\$2,585 million (2005: HK\$2,727 million) which represents retained profits of the Company as at that date.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$22,136,000 (2005: HK\$10,386,000).

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out

in notes 20 and 21 to the financial statements respectively. Particulars regarding the major properties and property interests of the Group are set out on pages 115 and 116.

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 approximately 37% of the Group's total purchases and the largest supplier included therein accounted for approximately 20%.

None of the directors, their associates, or any shareholder of the Company, which to the knowledge of the directors of the Company, owns more than 5% of the Company's issued shares, had any beneficial interests in the Group's five largest customers and suppliers.

Directors and Senior Management

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

Mr. Barry Chung Tat MOK (appointed on 15th August, 2005)

Mr. Colin Henry WEIR (resigned on 1st December, 2005)

In accordance with the Company's Articles of Association, Mr. Eddie Ping Chang HO, Mr. David Yau-gay LUI, Mr. Albert Kam Yin YEUNG, Mr. Andy Lee Ming CHEUNG and Mr. Eddie Wing Chuen HO Junior will retire at the forthcoming annual general meeting and all of them, being eligible, offer themselves for re-election.

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

Qualified Accountant

Ms. Virginia Yuk Ying LU, aged 41, Qualified Accountant, joined the Group in 1995. She currently holds the position of Assistant Group Financial Controller and is responsible for financial reporting and accounting functions of the Group. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Directors' Interest in Contracts of Significance

Except for the acquisition of a property from a director as detailed under "Connected Transactions", 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, 2006, 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	Total interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation) ⁽ⁱⁱ⁾	Other interests ⁽ⁱⁱⁱ⁾			
Gordon Ying Sheung WU	71,853,032	21,910,000 ^(iv)	111,250,000 ^(v)	30,680,000	9,213,000 ^(vi)	244,906,032 ^(xi)	27.26%
Eddie Ping Chang HO	24,273,462	1,365,538	2,050,000	–	–	27,689,000	3.08%
Josiah Chin Lai KWOK	1,005,000	–	–	–	–	1,005,000	0.11%
Thomas Jefferson WU	27,170,000	–	820,000	–	–	27,990,000	3.11%
Henry Hin Moh LEE	5,045,322	–	–	–	747,000 ^(vi)	5,792,322	0.64%
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	121,913,032 ^(vii)	61,190,000 ^(viii)	30,680,000	9,213,000 ^(ix)	244,906,032 ^(xi)	27.26%
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	–	–	–	–	850,000 ^(x)	850,000	0.09%
Andy Lee Ming CHEUNG	90,000	–	–	–	500,000 ^(x)	590,000	0.07%
Eddie Wing Chuen HO Junior	500,000	–	–	–	–	500,000	0.06%
Lee Yick NAM	90,000	–	–	–	–	90,000	0.01%
Barry Chung Tat MOK	–	–	–	–	2,500,000 ^(x)	2,500,000	0.28%

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 family interests in 21,910,000 Shares represented the interests of Lady Ivy WU.
- (v) 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).
- (vi) The interest in underlying shares of equity derivatives represented rights to acquire Shares in the Company by Sir Gordon WU and Mr. Henry Hin Moh LEE ("Mr. Henry LEE") under the 1-Year Daily Securities Accumulator (Contingent Step-up) schemes with a counter party ("the Schemes"). The duration of each Scheme was approximately one year and was divided into 12 periods; the start date of each period is the end date of the immediately preceding period. Daily Number of Shares ("DNS") are accumulated each scheduled trading day on which the closing price of the Shares is at or above the Accumulating Forward Price ("AFP"). The Step-Up Daily Number of Shares ("Step-Up DNS") are accumulated if the closing price of the Shares is below the AFP. The Scheme will be terminated when a trigger event occurs, i.e. when the closing price of the Shares is at or above the Knock-Out level.

With respect of each period, the number of shares to be purchased from the counter party at the AFP shall be the sum of DNS or Step-Up DNS of each scheduled trading day starting from but excluding the start date, up to and including the end date, or up to and including the scheduled trading day immediately prior to the day on which the trigger event is deemed to occur.

Summary of the terms of the Schemes held by Sir Gordon WU and Mr. Henry LEE as at 30th June, 2006 was as follows:

Terms	Directors					
	Sir Gordon WU					Mr. Henry LEE
Date of acquisition	02/06/2006	02/06/2006	02/06/2006	07/06/2006	09/06/2006	07/06/2006
Expiration Date	04/06/2007	04/06/2007	04/06/2007	07/06/2007	11/06/2007	07/06/2007
Knock-Out level (HK\$)	23.28	23.10	22.94	23.65	22.76	22.89
Accumulating Forward Price (AFP) (HK\$)	20.40	20.68	20.41	20.72	19.95	20.06
Maximum Number of Nominal Shares	1,992,000	2,241,000	996,000	1,992,000	1,992,000	747,000
Maximum Number of Scheduled Trading Days	249	249	249	249	249	249
Daily Number of Shares (DNS)	4,000	4,500	2,000	4,000	4,000	1,500
Step-Up Daily Number of Shares (Step-Up DNS)	8,000	9,000	4,000	8,000	8,000	3,000

- (vii) The family interests in 121,913,032 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) The family interests in underlying shares of equity derivatives in 9,213,000 Shares represented the interests held by Sir Gordon WU referred to in Note (vi).
- (x) 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".
- (xi) 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 ⁽ⁱⁱ⁾ (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 ⁽ⁱ⁾ (interests of controlled corporation)	Other interests			
Gordon Ying Sheung WU	6,249,403	2,491,000 ⁽ⁱⁱⁱ⁾	10,124,999 ^(iv)	3,068,000 ^(v)	–	21,933,402 ^(x)	0.74%
Eddie Ping Chang HO	1,824,046	136,554	205,000	–	–	2,165,600	0.07%
Thomas Jefferson WU	3,043,500	–	–	–	1,741,500 ^(vi)	4,785,000	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	2,491,000 ^(vii)	10,255,403 ^(viii)	6,118,999 ^(ix)	3,068,000 ^(v)	–	21,933,402 ^(x)	0.74%
David Yau-gay LUI	853	–	–	–	–	853	0.00%

Notes:

- (i) These HHI Shares 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.
- (ii) These represented HHI Warrants, 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.
- (iii) The interests in 2,491,000 HHI Shares were interests held by Lady Ivy Sau Ping KWOK WU ("Lady Ivy WU"), the wife of Sir Gordon Ying Sheung WU ("Sir Gordon WU").
- (iv) The corporate interests in 10,124,999 HHI Shares held by Sir Gordon WU included the corporate interests in 6,118,999 HHI Shares referred to in Note (ix).
- (v) The other interests in 3,068,000 HHI Shares represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (vi) The interests in 1,741,500 HHI Warrants held by Mr. Thomas Jefferson WU included personal interests of 1,659,500 HHI Warrants and corporate interests of 82,000 HHI Warrants.
- (vii) The interests in 2,491,000 HHI Shares were personal interests beneficially owned by Lady Ivy WU and represented the same block of shares in Note (iii).
- (viii) The family interests in 10,255,403 HHI Shares represented the interests of Sir Gordon WU, the husband of Lady Ivy WU. This figure included 4,006,000 HHI Shares held by Sir Gordon WU through corporations.
- (ix) The corporate interests in 6,118,999 HHI Shares were held through corporations owned by Sir Gordon WU and Lady Ivy WU as to 50% each.
- (x) 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, 2006, 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 Option Scheme

The 1994 Share Option Scheme was terminated on 1st November, 2003 and no further options was granted under the 1994 Share Option Scheme. As at 30th June, 2006, there was no outstanding share option under the 1994 Share Option Scheme.

(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 82,548,212 shares (representing approximately 9.19% 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, 2006 were as follows:

	<i>Date of grant</i>	<i>Exercise Price HK\$</i>	<i>Balance of outstanding options at 01/07/2005</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 30/06/2006</i>	<i>Exercise period</i>	<i>Closing price before date of grant falling within the year HK\$</i>
Directors									
Albert Kam Yin YEUNG	08/09/2004	17.10	950,000	–	100,000	–	850,000	08/09/2004 – 07/09/2007	N/A
Andy Lee Ming CHEUNG	08/09/2004	17.10	500,000	–	–	–	500,000	08/09/2004 – 07/09/2007	N/A
Eddie Wing Chuen HO Junior	08/09/2004	17.10	495,000	–	495,000	–	–	08/09/2004 – 07/09/2007	N/A
Barry Chung Tat MOK	02/09/2005	19.94	–	2,500,000	–	–	2,500,000	02/03/2006 – 01/03/2009	20.05
Total			1,945,000	2,500,000	595,000	–	3,850,000		

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 and Mr. Eddie Wing Chuen HO Junior during the year were HK\$20.75 and HK\$19.85 respectively.

The options granted on 8th September, 2004 are exercisable from the date of grant while the options granted on 2nd September, 2005 are exercisable in the following manner:

<i>Maximum options exercisable</i>	<i>Exercisable period</i>
50% of options granted	from the expiry of 6 months from the date of grant up to 18 months thereof (i.e. 2nd March, 2006 to 1st March, 2007)
all remaining options including those not previously exercised	from the expiry of 18 months from the date of grant up to 42 months thereof (i.e. 2nd March, 2007 to 1st March, 2009)

The fair value of the share options granted during the year with the exercise price per share of HK\$19.94 is estimated at HK\$2.73 at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$19.6 at the grant date, the historical volatility of share price of the Company of 23.3% which is based on statistical analysis of daily share prices over one year immediately preceding the grant date, expected life of options of 3.4 years, expected dividend yield of 4.1% and the risk free rate of 3.66% per annum with reference to the rate on the 3-year and 4-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded options. 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 Binomial 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 9.6% 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) There was no movement in the share options under the HHI Option Scheme during the year ended 30th June, 2006 and as at 30th June 2006, the outstanding share options were as follows:

	<i>Date of grant</i>	<i>Exercise Price HK\$</i>	<i>Balance of outstanding options at 01/07/2005</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 30/06/2006</i>	<i>Exercise period</i>	<i>Closing price before date of grant falling within the year HK\$</i>
<i>Director of HHI</i>									
Leo Kwok Kee LEUNG	08/09/2004	4.875	2,000,000	–	–	–	2,000,000	08/09/2004 – 07/09/2007	N/A
Employee of HHI	08/09/2004	4.875	400,000	–	–	–	400,000	08/09/2004 – 07/09/2007	N/A
Total			2,400,000	–	–	–	2,400,000		

All options granted are exercisable from the date of grant.

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, 2006 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\$7,884,000.

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, 2006, 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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the securities of the Company during the year.

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 Transactions

During the year, the Group has entered into the following transactions as described below with the persons who are “connected persons” of the Company for the purposes of the Listing Rules:

- (1) On 5th September, 2005, 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 III of the Western Delta Route (“Phase III 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 (as amended on 14th July, 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 (as amended on 14th July, 2004).

The major terms of the Amending Agreements were to expand the areas of co-operation to include Phase III West and related facilities in addition to Phase I and Phase II of the Western Delta Route with an estimated total amount of investment in Phase III West of RMB3,260 million. The registered capital of West Route JV will be increased by RMB1,141 million (from RMB2,303 million to RMB3,444 million) which will be contributed in cash by HHI West HK Co and West Route PRC Partner in equal share. The co-operation period will be subject to the approval of the relevant PRC authorities and 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.

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.

- (2) On 1st June, 2006, Banbury Investments Limited (“Banbury”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (“Sale and Purchase Agreement”) with Theopald Limited (“Theopald”), a company the entire issued share capital of which was beneficially owned by Mr. Eddie Ping Chang HO, the Vice-Chairman and Managing Director of the Company, and his spouse. Theopald is thus a connected person of the Company under the Listing Rules and the entering into of the Sale and Purchase Agreement between Theopald and Banbury constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Sale and Purchase Agreement, Theopald agreed to sell and Banbury agreed to purchase the property known as Ground Floor of Block E and Car Park No.8, 12 Broadwood Road, Hong Kong (“the Property”) at a purchase price of HK\$45,000,000. A deposit of HK\$4,500,000 was paid by Banbury upon signing of the Sale and Purchase Agreement, and the balance of HK\$40,500,000 was paid by Banbury on 2nd June, 2006.

The Group plans to acquire all properties comprising the proposed residential development by the Group located at 12 Broadwood Road, Happy Valley, Hong Kong with a site area of approximately 22,000 square feet (“the Broadwood Road Project”), and to redevelop the same into a first class residential development with, according to present estimation, approximately 110,000 square feet in gross floor area. As the Property is part of the Broadwood Road Project, the Group has to purchase the Property in order to complete the aforesaid acquisition for the redevelopment.

Details of the connected transaction were contained in the press announcement of the Company dated 1st June, 2006.

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, 30th August, 2006