

Review of Interim Results

The unaudited interim results of the Group for the six months ended 31st December, 2006 have been reviewed by the Audit Committee and auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December, 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 Issuers set out in Appendix 10 to the Listing Rules (the "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 interests (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	73,803,032	21,910,000 ^(v)	111,250,000 ^(vi)	30,680,000	—	237,643,032 ^(ix)	26.45%
Eddie Ping Chang HO	24,273,462	1,365,538	2,050,000	—	—	27,689,000	3.08%
Thomas Jefferson WU	27,170,000	—	820,000	—	—	27,990,000	3.12%
Josiah Chin Lai KWOK	1,005,000	—	—	—	—	1,005,000	0.11%
Henry Hin Moh LEE	5,204,322	—	—	—	—	5,204,322	0.58%
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	123,863,032 ^(vii)	61,190,000 ^(viii)	30,680,000	—	237,643,032 ^(ix)	26.45%
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	100,000	—	—	—	270,000	370,000	0.04%
Andy Lee Ming CHEUNG	90,000	—	—	—	500,000	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	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 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 123,863,032 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				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	6,249,402	2,491,000 ⁽ⁱⁱ⁾	10,124,999 ⁽ⁱⁱⁱ⁾	3,068,000 ^(iv)	21,933,401 ^(viii)	0.74%
Eddie Ping Chang HO	1,824,046	136,554	205,000	—	2,165,600	0.07%
Thomas Jefferson WU	4,803,000	—	82,000	—	4,885,000	0.16%
Henry Hin Moh LEE	279,530	—	—	—	279,530	0.01%
Robert Van Jin NIEN	60,000	—	—	—	60,000	0.00%
Ivy Sau Ping KWOK WU	2,491,000 ^(v)	10,255,402 ^(vi)	6,118,999 ^(vii)	3,068,000 ^(iv)	21,933,401 ^(viii)	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) The interests in 2,491,000 HHI shares were interests held by Lady Ivy WU, the wife of Sir Gordon WU.
- (iii) 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 (vii).
- (iv) The other interests in 3,068,000 HHI shares represented the interests held jointly by Sir Gordon WU and Lady Ivy WU.
- (v) 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 (ii).
- (vi) The family interests in 10,255,402 HHI shares represented the interests of Sir Gordon WU. This figure included 4,006,000 HHI shares held by Sir Gordon WU through corporations.
- (vii) 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.
- (viii) 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 of associated corporations were long positions.

Save as aforesaid, as at 31st December, 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 adoption of a new share option scheme (the "2003 Share Option Scheme") effective on 1st November, 2003. The 2003 Share Option Scheme will expire on 31st October, 2013, but any options then outstanding will continue to be exercisable.

Details of the movement of share options under the 2003 Share Option Scheme during the period ended 31st December, 2006 were as follows:

	Date of grant	Exercise price per share HK\$	Number of share options					Exercise period	Closing price before date of grant falling within the period HK\$
			Outstanding at 01/07/2006	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 31/12/2006		
Directors									
Albert Kam Yin YEUNG	08/09/2004	17.10	850,000	—	580,000	—	270,000	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
Barry Chung Tat MOK	02/09/2005	19.94	2,500,000	—	—	—	2,500,000	02/03/2006-01/03/2009	20.05
Employees									
	10/10/2006	22.44	—	8,960,000	—	—	8,960,000	01/11/2007-31/10/2013	22.25
Total			3,850,000	8,960,000	580,000	—	12,230,000		

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised by Mr. Albert Kam Yin YEUNG during the period was HK\$22.98.

The options granted on 8th September, 2004 are exercisable from the date of grant while the options granted on 2nd September, 2005 and 10th October, 2006 are exercisable in the following manner:

<i>Maximum options exercisable</i>	<i>Exercisable period</i>
<p>Granted on 2nd September, 2005</p> <p>50% of options granted</p> <p>100% of options granted (including those not previously exercised)</p>	<p>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)</p> <p>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)</p>
<p>Granted on 10th October, 2006</p> <p>20% of options granted</p> <p>40% of options granted (including those not previously exercised)</p> <p>60% of options granted (including those not previously exercised)</p> <p>80% of options granted (including those not previously exercised)</p> <p>100% of options granted (including those not previously exercised)</p>	<p>from the expiry of 12 months from 1st November, 2006 up to 31st October, 2008</p> <p>from the expiry of 24 months from 1st November, 2006 up to 31st October, 2009</p> <p>from the expiry of 36 months from 1st November, 2006 up to 31st October, 2010</p> <p>from the expiry of 48 months from 1st November, 2006 up to 31st October, 2011</p> <p>from the expiry of 60 months from 1st November, 2006 up to 31st October, 2013</p>

The fair value of the share options granted during the period with the exercise price per share of HK\$22.44 is estimated at approximately HK\$44.0 million at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$22.25 per share at the grant date, the historical volatility of share price of the Company of 26% which is based on rolling two-year volatility of the Company's share price over last three years, expected life of options of 7 years, expected dividend yield of 1.9% on a semi-annual basis, and the risk free rate of 3.956% with reference to the rate on the 7-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded option. Such option pricing model requires input of highly subjective assumptions, including the expected share price volatility. As the characteristics of the options granted during the period 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.
- (b) Details of the movement of share options under the HHI Option Scheme during the period ended 31st December, 2006 were as follows:

	Date of grant	Exercise price per share HK\$	Number of share options					Exercise period	Closing price before date of grant falling within the period HK\$
			Outstanding at 01/07/2006	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 31/12/2006		
<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
<i>Employee of HHI</i>									
	08/09/2004	4.875	400,000	—	100,000	—	300,000	08/09/2004-07/09/2007	N/A
<i>Employees of HHI</i>									
	17/10/2006	5.858	—	6,200,000	—	—	6,200,000	01/12/2007-30/11/2013	5.710
Total			2,400,000	6,200,000	100,000	—	8,500,000		

The weighted average closing price of the shares on the date immediately before the date on which the options were exercised by the employee of HHI during the period was HK\$5.67.

The options granted on 8th September, 2004 are exercisable from the date of grant while the options granted on 17th October, 2006 are exercisable in the following manner:

<i>Maximum options exercisable</i>	<i>Exercisable period</i>
20% of options granted	from the expiry of 12 months from 1st December, 2006 up to 30th November, 2008
40% of options granted (including those not previously exercised)	from the expiry of 24 months from 1st December, 2006 up to 30th November, 2009
60% of options granted (including those not previously exercised)	from the expiry of 36 months from 1st December, 2006 up to 30th November, 2010
80% of options granted (including those not previously exercised)	from the expiry of 48 months from 1st December, 2006 up to 30th November, 2011
100% of options granted (including those not previously exercised)	from the expiry of 60 months from 1st December, 2006 up to 30th November, 2013

The fair value of the share options granted during the period with the exercise price per share of HK\$5.858 is estimated at approximately HK\$5,814,000 at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$5.700 per share at the grant date, the historical volatility of share price of HHI of 23% which is based on rolling two-year volatility of HHI's share price over last three years, expected life of options of 7 years, expected dividend yield of 4.75%, and the risk-free rate of 3.969% with reference to the rate on the 7-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of traded option. Such option pricing model requires input of highly subjective assumptions, including the expected share price volatility. As the characteristics of the options granted during the period 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.

Substantial Shareholder

Save as disclosed under the section headed "Directors' Interests in Shares, Underlying Shares and Debentures", as at 31st December, 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

During the six months ended 31st December, 2006, the Company repurchased 832,000 shares on the Stock Exchange at an aggregate consideration, including transaction costs, of HK\$18,877,541. All the repurchased shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$2,080,000 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>
October 2006	432,000	22.45	22.25	9,702,113
November 2006	400,000	22.95	22.80	9,175,428
Total	832,000			18,877,541

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 six months ended 31st December, 2006.

Employees and Remuneration Policies

The Group has approximately 1,199 employees as at 31st December, 2006. The Group continues to provide competitive remuneration packages to employees with reference to prevailing market practices and individual performance in addition to other staff benefits including medical and personal accident insurance coverage. Share options under the 2003 Share Option Scheme of the Company and discretionary bonuses may be granted to employees based on individual performance as well as the performance of the Group. In January 2007, the Company adopted a share award scheme to recognize the contributions by certain employees of the Group, to give incentive thereto for retention purpose and to attract suitable personnel for further development of the Group. Apart from the above, training programs are also conducted on an ongoing basis throughout the Group aiming at improving employee productivity. In 2006, we launched a two-year Graduate Trainee Program to develop potential young talent in a conglomerate environment, and to groom tomorrow's leaders for taking up management positions in the Group.

Corporate Governance

During the period under review, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Model Code for Securities Transactions

The Company has adopted the Model Code as its model code for securities transactions by the Company’s Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on the specific enquiries made of all Directors, each of the Directors has confirmed that he or she has complied fully with the Model Code throughout the period under review.

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 expressways 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 interim report.

Change of Director

The Board welcomes new Executive Director, Mr. William Wing Lam WONG, who was appointed on 18th January, 2007.

On behalf of the Board

Sir Gordon Ying Sheung WU *GBS, KCMG, FICE*

Chairman

Hong Kong, 1st March, 2007