

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 30 June 2009.

Principal Activities

The principal activity of the Company is investment holding and its subsidiaries are active in the fields 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 30 June 2009 are set out in the consolidated income statement on page 87.

Dividends

The Directors recommend the payment of a final dividend of HK58 cents (2008: HK40 cents) per share.

During the year, an interim dividend of HK40 cents and an extraordinary special interim dividend of HK330 cents (2008: interim dividend of HK55 cents and special interim dividend of HK55 cents) per share was paid on 20 March 2009 and 14 November 2008 respectively.

Furthermore, a non-cash special interim dividend satisfied by way of a distribution in specie of shares in Hopewell Highway Infrastructure Limited ("HHI Shares") was also effected during the year. HHI Shares were distributed by the Company in the proportion of one HHI Share for every whole multiple of 10 ordinary shares in the Company held by the shareholders recorded on the register of members of the Company as at the close of business on 19 March 2009. Definitive certificates for the relevant HHI Shares were dispatched to the eligible shareholders by 31 March 2009. An aggregate of 88,027,402 HHI Shares were distributed by the Company pursuant to the distribution. Based on the closing price per HHI Share as traded on the The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 31 March 2009 (the date of distribution of HHI Shares), the aggregate market value of the HHI Shares distributed to the eligible shareholders was approximately HK\$385 million, which represents a distribution of approximately HK43.7 cents per share of the Company.

Total dividends for this year comprise cash dividends of HK428 cents (2008: HK260 cents) per share and non-cash special interim dividend by way of a distribution in specie of HHI Shares.

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 "Business Review" as set out on pages 18 to 39.

Share Capital

Movements in share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

Share Premium and Reserves

Movements in share premium and reserves during the year are set out in the Consolidated Statement of Recognised Income and Expense on page 91 and note 36 to the consolidated financial statements.

Distributable Reserve

The Company's distributable reserve at 30 June 2009 amounts to HK\$2,226 million (2008: HK\$7,159 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\$7,337,000 (2008: HK\$13,431,000).

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 17 and 18 to the consolidated financial statements respectively. Particulars regarding the major properties and property interests of the Group are set out on pages 159 and 160.

Major Customers and Suppliers

During the year, both the aggregate amount of purchases attributable to the Group's 5 largest suppliers and the aggregate amount of turnover attributable to the Group's 5 largest customers were less than 30% of total purchases and turnover of the Group respectively.

Directors and Senior Management

The Directors of the Company and their profiles as at the date of this report are set out on pages 10 to 15. Changes during the year and up to the date of this report are as follows:

Ir. Leo Kwok Kee LEUNG (appointed on 1 July 2009)

In accordance with the Company's Articles of Association, every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her last election/re-election and shall be eligible for re-election subject to the provisions of the articles of association of the Company. Mr. Eddie Ping Chang HO, Mr. David Yau-gay LUI, Mr. Albert Kam Yin YEUNG and Mr. Eddie Wing Chuen HO Junior shall retire by rotation at the forthcoming annual general meeting. Except for Mr. David Yau-gay LUI who did not offer himself for re-election, the remaining Directors, being eligible, offered themselves for re-election.

Furthermore, in accordance with the Company's Articles of Association, all newly appointed Directors shall hold office until the next following general meeting of the Company after their appointment and shall then be eligible for re-election. Mr. Leo Kwok Kee LEUNG, who was appointed as a Director of the Company on 1 July 2009, shall retire at the forthcoming annual general meeting and, being eligible, offered himself for re-election.

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors of the Company and HHI who are 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 30 June 2009, 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 pursuant to the Model Code were as follows:

(A) the Company ⁽ⁱ⁾

Directors	Shares				Underlying shares of equity derivatives ^(iv)	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⁾			
Sir Gordon Ying Sheung WU	74,683,240	24,720,000 ^(v)	111,250,000 ^(vi)	30,680,000	—	241,333,240 ^(ix)	27.46%
Eddie Ping Chang HO	25,028,000	1,366,000	2,050,000	—	—	28,444,000	3.24%
Thomas Jefferson WU	25,630,000	—	820,000	—	—	26,450,000	3.01%
Josiah Chin Lai KWOK	1,275,000	—	—	—	—	1,275,000	0.15%
Henry Hin Moh LEE	5,104,322	—	—	—	—	5,104,322	0.58%
Robert Van Jin NIEN	828,000	—	—	—	—	828,000	0.09%
Guy Man Guy WU	2,645,650	—	—	—	—	2,645,650	0.30%
Lady WU Ivy Sau Ping KWOK	24,720,000	124,743,240 ^(vii)	61,190,000 ^(viii)	30,680,000	—	241,333,240 ^(ix)	27.46%
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	290,000	—	—	—	—	290,000	0.03%
Eddie Wing Chuen HO Junior	608,000	—	—	—	—	608,000	0.07%
Lee Yick NAM	90,000	—	—	—	—	90,000	0.01%
Barry Chung Tat MOK	888,000	—	—	—	—	888,000	0.10%
William Wing Lam WONG	150,000	—	—	—	288,000	438,000	0.05%

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 WU Ivy Sau Ping KWOK ("Lady 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 24,720,000 shares represented the interests of Lady 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 124,743,240 shares represented the interests of Sir Gordon 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 WU as to 50% each.
- (ix) Sir Gordon WU and Lady 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		
Sir Gordon Ying Sheung WU	13,717,724	5,244,000 ⁽ⁱⁱ⁾	21,249,999 ⁽ⁱⁱⁱ⁾	6,136,000 ^(iv)	46,347,723 ^(viii)	1.56%
Eddie Ping Chang HO	4,355,000	275,000	410,000	—	5,040,000	0.17%
Thomas Jefferson WU	12,674,000	—	164,000	—	12,838,000	0.43%
Josiah Chin Lai KWOK	127,500	—	—	—	127,500	0.00%
Henry Hin Moh LEE	789,960	—	—	—	789,960	0.03%
Robert Van Jin NIEN	142,800	—	—	—	142,800	0.00%
Guy Man Guy WU	264,565	—	—	—	264,565	0.01%
Lady WU Ivy Sau Ping KWOK	5,244,000 ^(v)	22,729,725 ^(vi)	12,237,998 ^(vii)	6,136,000 ^(iv)	46,347,723 ^(viii)	1.56%
Linda Lai Chuen LOKE	—	130,898	—	—	130,898	0.00%
Albert Kam Yin YEUNG	29,000	—	—	—	29,000	0.00%
David Yau-gay LUI	1,706	—	—	—	1,706	0.00%
Eddie Wing Chuen HO Junior	60,800	—	—	—	60,800	0.00%
Lee Yick NAM	9,000	—	—	—	9,000	0.00%
Barry Chung Tat MOK	88,800	—	—	—	88,800	0.00%
William Wing Lam WONG	15,000	—	—	—	15,000	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 5,244,000 HHI Shares were interests held by Lady WU.
- (iii) The corporate interests in 21,249,999 HHI Shares held by Sir Gordon WU included the corporate interests in 12,237,998 HHI Shares referred to in Note (vii).
- (iv) The other interests in 6,136,000 HHI Shares represented the interests held jointly by Sir Gordon WU and Lady WU.
- (v) The interests in 5,244,000 HHI Shares were personal interests beneficially owned by Lady WU and represented the same block of shares in Note (ii).
- (vi) The family interests in 22,729,725 HHI Shares represented the interests of Sir Gordon WU. This figure included 9,012,001 HHI Shares held by Sir Gordon WU through corporations.
- (vii) The corporate interests in 12,237,998 HHI Shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.
- (viii) Sir Gordon WU and Lady 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, an associated corporation of the Company, 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 30 June 2009, 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 1 November 2003.

- (A) The 2003 Share Option Scheme will expire on 31 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 (B) below.
- (B) 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 67,245,212 shares (representing approximately 7.65% 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 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 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 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.

(C) Details of the movement of share options under the 2003 Share Option Scheme during the year ended 30 June 2009 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 year HK\$
			Outstanding at 01/07/2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/06/2009		
Directors									
Barry Chung Tat MOK	02/09/2005	19.94	1,900,000	-	1,900,000	-	-	02/03/2006 -01/03/2009	N/A
William Wing Lam WONG	10/10/2006	22.44	288,000	-	-	-	288,000	01/11/2007 -31/10/2013	N/A
Employees									
Employees	10/10/2006	22.44	6,688,200	-	362,000	736,000	5,590,200	01/11/2007 -31/10/2013	N/A
Employees	15/11/2007	36.10	5,248,000	-	-	176,000	5,072,000	01/12/2008 -30/11/2014	N/A
Employees	24/07/2008	26.35	-	1,788,000	-	-	1,788,000	01/08/2009 -31/07/2015	26.25
Employees	11/03/2009	21.45	-	1,760,000	-	-	1,760,000	18/03/2010 -17/03/2016	20.60
Total			14,124,200	3,548,000	2,262,000	912,000	14,498,200		

No option was cancelled during the year.

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised by the director during the year was HK\$24.63.

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised by the employees during the year was HK\$24.57.

The options granted on 2 September 2005, 10 October 2006, 15 November 2007, 24 July 2008 and 11 March 2009 are exercisable in the following manner:

Maximum options exercisable	Exercise period
Granted on 2 September 2005 50% of options granted 100%* of options granted	02/03/2006–01/03/2007 02/03/2007–01/03/2009
Granted on 10 October 2006 20% of options granted 40%* of options granted 60%* of options granted 80%* of options granted 100%* of options granted	01/11/2007–31/10/2008 01/11/2008–31/10/2009 01/11/2009–31/10/2010 01/11/2010–31/10/2011 01/11/2011–31/10/2013
Granted on 15 November 2007 20% of options granted 40%* of options granted 60%* of options granted 80%* of options granted 100%* of options granted	01/12/2008–30/11/2009 01/12/2009–30/11/2010 01/12/2010–30/11/2011 01/12/2011–30/11/2012 01/12/2012–30/11/2014
Granted on 24 July 2008 20% of options granted 40%* of options granted 60%* of options granted 80%* of options granted 100%* of options granted	01/08/2009–31/07/2010 01/08/2010–31/07/2011 01/08/2011–31/07/2012 01/08/2012–31/07/2013 01/08/2013–31/07/2015
Granted on 11 March 2009 20% of options granted 40%* of options granted 60%* of options granted 80%* of options granted 100%* of options granted	18/03/2010–17/03/2011 18/03/2011–17/03/2012 18/03/2012–17/03/2013 18/03/2013–17/03/2014 18/03/2014–17/03/2016
* including those not previously exercised	

The fair value of the share options granted during the year with the exercise price per share of HK\$26.35 is estimated at approximately HK\$13.5 million at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$26.25 per share at the grant date, the historical volatility of share price of the Company of 33.54% which is based on the 7 years weekly historical volatility of the Company's share price as at 24 July 2008, expected life of options of 7 years, expected dividend yield of 3.01%, and the risk free rate of 3.598% with reference to the rate on the 7-year Exchange Fund Notes.

The fair value of the share options granted during the year with the exercise price per share of HK\$21.45 is estimated at approximately HK\$9.1 million at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$21.45 per share at the grant date, the historical volatility of share price of the Company of 34.37% which is based on the 7 years weekly historical volatility of the Company's share price as at 11 March 2009, expected life of options of 7 years, expected dividend yield of 4.53%, and the risk free rate of 1.872% 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 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 16 July 2003 and approved by shareholders of the Company at an extraordinary general meeting held on 16 July 2003 (the "HHI Option Scheme"). The HHI Option Scheme will expire on 15 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 (the "HHI Board") 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 277,448,000 shares (representing 9.37% 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 (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 under the HHI Option Scheme during the year ended 30 June 2009 were as follows:

	Date of grant	Exercise price per share HK\$	Number of HHI share options					Outstanding at 30/06/2009	Exercise period	Closing price before date of grant falling within the year HK\$
			Outstanding at 01/07/2008	Granted during the year	Exercised during the year	Lapsed during the year				
Employees of HHI	17/10/2006	5.858	4,928,000	-	-	488,000	4,440,000	01/12/2007 -30/11/2013	N/A	
Employees of HHI	19/11/2007	6.746	760,000	-	-	-	760,000	01/12/2008 -30/11/2014	N/A	
Employees of HHI	24/07/2008	5.800	-	800,000	-	400,000	400,000	01/08/2009 -31/07/2015	5.740	
Employees of HHI	11/03/2009	4.470	-	400,000	-	400,000	-	18/03/2010 -17/03/2016	4.4	
Total			5,688,000	1,200,000	-	1,288,000	5,600,000			

No option was cancelled during the year.

The options granted on 17 October 2006, 19 November 2007, 24 July 2008 and 11 March 2009 are exercisable in the following manner:

Maximum options exercisable	Exercise period
Granted on 17 October 2006	
20% of options granted	01/12/2007–30/11/2008
40%* of options granted	01/12/2008–30/11/2009
60%* of options granted	01/12/2009–30/11/2010
80%* of options granted	01/12/2010–30/11/2011
100%* of options granted	01/12/2011–30/11/2013
Granted on 19 November 2007	
20% of options granted	01/12/2008–30/11/2009
40%* of options granted	01/12/2009–30/11/2010
60%* of options granted	01/12/2010–30/11/2011
80%* of options granted	01/12/2011–30/11/2012
100%* of options granted	01/12/2012–30/11/2014
Granted on 24 July 2008	
20% of options granted	01/08/2009–31/07/2010
40%* of options granted	01/08/2010–31/07/2011
60%* of options granted	01/08/2011–31/07/2012
80%* of options granted	01/08/2012–31/07/2013
100%* of options granted	01/08/2013–31/07/2015
Granted on 11 March 2009	
20% of options granted	18/03/2010–17/03/2011
40%* of options granted	18/03/2011–17/03/2012
60%* of options granted	18/03/2012–17/03/2013
80%* of options granted	18/03/2013–17/03/2014
100%* of options granted	18/03/2014–17/03/2016
* including those not previously exercised	

The fair value of the share options granted during the year with the exercise price per share of HK\$5.80 is estimated at approximately HK\$842,900 at the date of grant using the Binomial option pricing model. The value is estimated based on the share price of HK\$5.80 per share at the Grant Date, the historical volatility of share price of HHI of 25.94% which is based on 5 years daily historical volatility of HHI's share price from the date of listing to 24 July 2008, expected life of options of 7 years, expected dividend yield of 4.66%, and the risk-free rate of 3.598% with reference to the rate on the 7-year Exchange Fund Notes.

The share options granted during the year with the exercise price per share of HK\$4.47 also lapsed during the year. There was no financial impact to the consolidated financial statements of the Group and no valuation on these share options was performed.

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 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 Awards of the Company

- (A) The Share Award Scheme of the Company (the “HHL Award Scheme”) was adopted by the Board on 25 January 2007 (“HHL Adoption Date”). Unless terminated earlier by the Board, the HHL Award Scheme shall be valid and effective for a term of 15 years commencing on the HHL Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the HHL Adoption Date. A summary of some of the principal terms of the HHL Award Scheme is set out in (B) below.
- (B) The purpose of the HHL Award Scheme is to recognize the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentive in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Under the HHL Award Scheme, the Board (or where the relevant selected employee is a Director of the Company, the Remuneration Committee) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the HHL Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the HHL Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued share capital of the Company as at the date of such grant.

- (C) Details of the movement of share awards under the HHL Award Scheme for the year under review were set out below:

Directors	Outstanding at 01/07/2008	Movements during the year			Outstanding at 30/06/2009
		Awarded	Vested on 25/01/2009	Lapsed	
Josiah Chin Lai KWOK	90,000	—	90,000	—	—
Robert Van Jin NIEN	36,000	—	36,000	—	—
Albert Kam Yin YEUNG	60,000	—	60,000	—	—
Eddie Wing Chuen HO Junior	36,000	—	36,000	—	—
Barry Chung Tat MOK	50,000	—	50,000	—	—
William Wing Lam WONG	50,000	—	50,000	—	—
Total	322,000	—	322,000	—	—
Weighted average fair value	HK\$23.22	—	HK\$23.22	—	—

- (D) During the year under review, cash dividend income amounting to HK\$1,920,000 (2008: HK\$1,270,000) and non-cash dividend income in the form of 7,200 ordinary shares in HHI had been received in respect of the shares held upon the trust for the HHL Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash or shares for the purchase of share which shall become returned shares for the purpose of the HHL Award Scheme, or apply such cash or shares to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash or shares to the Company, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the remuneration committee of the board of the Company.

Share Awards of HHI

- (A) The Share Award Scheme of HHI (the "HHI Award Scheme") was adopted by the board of directors of HHI ("HHI Board") on 25 January 2007 ("HHI Adoption Date"). Unless terminated earlier by the HHI Board, the HHI Award Scheme shall be valid and effective for a term of 15 years commencing on the HHI Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the HHI Adoption Date. A summary of some of the principal terms of the HHI Award Scheme is set out in (B) below.
- (B) The purpose of the HHI Award Scheme is to recognize the contributions by certain employees (including without limitation employees who are also directors) of HHI group and to give incentive in order to retain them for the continual operation and development of HHI group and to attract suitable personnel for further development of HHI group.

Under the HHI Award Scheme, the HHI Board (or where the relevant selected employee is a director of HHI, the remuneration committee of HHI) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the HHI Award Scheme and determine the number of shares to be awarded. The HHI Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the HHI Board under the HHI Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued share capital of HHI as at the date of such grant.

- (C) Details of the movement of share awards under the HHI Award Scheme for the year under review were set out below:

Vesting Date	Outstanding at 01/07/2008	Movements during the year			Outstanding at 30/06/2009
		Awarded	Vested	Lapsed	
Directors of HHI 25/01/2009	340,000	—	340,000	—	—
Employee of HHI 25/01/2009	40,000	—	40,000	—	—
Total	380,000	—	380,000	—	—
Weighted average fair value	HK\$5.68	—	HK\$5.68	—	—

- (D) During the year under review, the dividend income amounted to HK\$475,000 (2008: HK\$152,000) had been received in respect of the shares held upon the trust for the HHI Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash for the purchase of HHI Shares which shall become returned shares (i.e. the awarded shares which are not vested in accordance with the terms of the HHI Award Scheme whether as a result of a lapse or otherwise) for the purpose of the HHI Award Scheme and shall be held by the trustee for the benefit of one or more employees of HHI, or apply such cash to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash to HHI, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the remuneration committee of the board of HHI.

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous sections headed "Share Options of the Company", "Share Options of HHI", "Share Awards of the Company" and "Share Awards of HHI", at no time during the year ended 30 June 2009 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 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 from office and re-election 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. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. During the year, the Group made contributions to the MPF Schemes amounted to HK\$8,876,000.

Management Contracts

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

Substantial Shareholders

As at 30 June 2009, to the best knowledge of the Directors, the interests of persons (other than Directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of shares (corporate interests)	% of issued share capital
Commonwealth Bank of Australia	Interests of controlled corporations	44,412,000	5.05%

Save as disclosed above and under the section headed "Directors' Interests in Shares, Underlying Shares and Debentures", the Company has not been notified of any other interests 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 as at 30 June 2009.

Purchase, Sale or Redemption of Securities

During the year, the Company repurchased 15,635,500 shares on the Stock Exchange at an aggregate consideration, including transaction costs, of approximately HK\$361,468,000. All the repurchased shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$39,088,750 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:

Month of the repurchases	Total no. of the ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (including transaction costs)
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$'000</i>
July 2008	743,000	27.35	25.65	19,619
August 2008	1,159,000	30.10	27.80	33,957
September 2008	1,637,000	28.10	25.15	44,425
October 2008	4,080,000	26.40	19.60	88,440
November 2008	2,438,000	23.85	18.80	51,583
December 2009	2,806,000	25.00	19.16	63,880
January 2009	1,447,500	25.00	21.50	33,418
April 2009	1,325,000	19.98	19.46	26,146
Total	15,635,500			361,468

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 the Company's listed securities during the year ended 30 June 2009.

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

(A) Acquisition of Mingway Company, Limited

On 30 July 2008, Procelain Properties Ltd. ("Procelain") and Hopewell Properties (B.V.I.) Limited (both wholly-owned subsidiaries of the Company) entered into an agreement (the "Acquisition Agreement") with Galette Company Limited ("Galette") and Chi Chung Company, Limited for the acquisition (the "Acquisition") by Procelain from Galette of the entire issued share capital of Mingway Company, Limited ("Mingway") at a cash consideration of HK\$208.4 million (the "Consideration"). Mingway was principally engaged in property investment and its principal asset was its sole ownership of 2 commercial units located on the Ground Floor, and 2 commercial units and a restaurant located on the Second Floor, Wu Chung House, No. 213 Queen's Road East, Hong Kong (the "Properties").

The Board of the Company believed that acquiring the Properties by means of the Acquisition would provide synergy for such retail stores and restaurants located at Wu Chung House with the existing retail properties owned by the Group in Hopewell Centre, QRE Plaza and GardenEast through better coordinated marketing efforts for the new dining and entertainment concept, "The East", being promoted by the Group. The Board also believed that successful branding of this concept could bring more patrons to shops located in the retail properties of the Group in that area, and be expected to increase the rental yield for such properties.

The Directors (including the Independent Non-executive Directors) believed that the terms of the Acquisition were fair and reasonable and in the interests of the shareholders of the Company as a whole.

As announced by the Company on 30 July 2008, Chi Chung and Galette were, directly and indirectly respectively, wholly-owned by Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK who are both Directors and substantial shareholders of the Company. Therefore, Chi Chung and Galette were both connected persons of the Company and accordingly, the Acquisition constituted a connected transaction of the Company.

Relevant information on the Acquisition was disclosed by the Company in the announcement dated 30 July 2008.

(B) Amendment Agreements in relation to Phases II and III of the Western Delta Route

On 2 September 2008, the Company and HHI jointly issued an announcement on the agreements (being the "2008 Phase III Amendment Agreements" (as defined hereinafter) and the "2008 Phase II Amendment Agreements" (as defined hereinafter), collectively the "2008 Amendment Agreements") 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 relation to Phase II West and Phase III West.

(a) The 2008 Phase III Amendment Agreements

On 2 September 2008, HHI West HK Co and West Route PRC Partner entered into (i) the conditional agreement under which the parties thereto agreed to amend the Sino-foreign co-operative joint venture contract (the "JV Contract") dated 5 January 2004 between them, as may be amended from time to time, in relation to Phase III West and (ii) the conditional agreement under which the parties thereto agreed to amend the articles of association (the "JV Articles"), as may be amended from time to time, of Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") in relation to Phase III West (collectively the "2008 Phase III Amendment Agreements").

The major terms of the 2008 Phase III Amendment Agreements are summarised as follows:-

- (i) The areas of co-operation under each of the JV Contract and JV Articles are expanded to include the investment in and the construction and operation of Phase III West and related facilities in addition to Phase I West and Phase II West.
- (ii) Subject to approval by the relevant government departments, the estimated total amount of investment in Phase III West is to be increased from RMB3,260 million (excluding loan interest incurred during the construction period and future adjustments of government charges and fees (if any)) to RMB5,600 million (including loan interest incurred during the construction period).
- (iii) The registered capital of West Route JV is to be increased by RMB1,960 million from RMB2,303 million to RMB4,263 million to be contributed in cash by West Route PRC Partner and HHI West HK Co in equal share (i.e. each to contribute RMB980 million). 20 per cent of such contribution will be made within 3 months, and the remaining within 2 years, from the date of issue of the new business licence of West Route JV. Before the contribution of the increased registered capital, West Route PRC Partner agrees to make advances to meet the project expenses. West Route JV will pay interest at the lending rate announced by The People's Bank of China or the rate at which West Route PRC Partner actually obtains loans (whichever is lower) on any project expenses advanced by West Route PRC Partner until the date of repayment, compounded quarterly.
- (iv) The duration of the West Route JV as stipulated in the JV Articles (the "JV Operation Period") will, subject to approval of the relevant PRC authorities, be 40 years commencing on the date on which the new business licence of West Route JV is issued. The JV Operation Period may be extended if unanimously resolved by the board of directors of West Route JV and approved by regulatory authorities which granted the original approval within 6 months before the expiry of the JV Operation Period.

(b) *The 2008 Phase II Amendment Agreements*

On 2 September 2008, HHI West HK Co and West Route PRC Partner entered into (i) the conditional agreement under which the parties thereto agreed to amend the JV Contract in relation to Phase II West and (ii) the conditional agreement under which the parties thereto agreed to amend the JV Articles in relation to Phase II West (collectively the "2008 Phase II Amendment Agreements").

The major terms of the 2008 Phase II Amendment Agreements are summarised as follows:-

- (i) Subject to the approval by the relevant government departments, the estimated total amount of investment in Phase II West is to be increased from RMB4,900 million (excluding loan interest incurred during the construction period and future adjustments of government charges and fees (if any)) to RMB7,200 million (including loan interest incurred during the construction period).
- (ii) The registered capital of West Route JV is to be further increased from RMB4,263 million to RMB5,068 million, with the increased amount of RMB805 million in total to be contributed in cash by West Route PRC Partner and HHI West HK Co in equal share (i.e. each to contribute RMB402.5 million). 20 per cent of such contribution will be made within 3 months, and the remaining within 2 years, from the date of issue of the new business licence of West Route JV. Before the contribution of the increased registered capital, West Route PRC Partner agrees to make advances to meet the project expenses. West Route JV will pay interest at the lending rate announced by The People's Bank of China or the rate at which West Route PRC Partner actually obtains loans (whichever is lower) on any project expenses advanced by West Route PRC Partner until the date of repayment, compounded quarterly.

The Board of the Company believed that the traffic flow in Phase II West and Phase III West would be driven by the rise in number of vehicles in Guangdong and the synergy from the transportation network developments between Hong Kong and the western bank of PRD. It was anticipated that the total cost of construction of Phase III West and Phase II West will exceed the original budget due to (i) the increase in land acquisition and demolition costs payable by West Route JV as a result of the tightening of PRC government's control over grants of land and the increase in compensation standards; (ii) the increase in the prices of construction materials; (iii) the incorporation of loan interest to be incurred during the construction periods; and (iv) the change in design of Phase III West to add more tunnels and bridges.

The terms of the 2008 Amendment Agreements were determined after arm's length negotiations between HHI and West Route PRC Partner. The Board (including the Independent Non-Executive Directors) of the Company considered that the terms of the 2008 Amendment Agreements were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Clause 46 of the Listing Agreement between HHI and the Stock Exchange and the letter dated 7 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 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 (which has been subdivided into Chapters 14 and 14A since revisions of the Listing Rules came into effect on 31 March 2004). West Route PRC Partner is a state-owned enterprise wholly-owned by and under the administration of Guangdong Provincial Communication Group Company Limited (廣東省交通集團有限公司) (“GPCG”). GPCG is a state-owned enterprise established by the Guangdong Provincial Government which primarily engages in the investment, construction, supervision and operation of major transportation and infrastructure projects in Guangdong Province. West Route PRC Partner currently has a respective 50% and 52% interest in 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 purposes of Chapter 14A of the Listing Rules. Therefore, the 2008 Amendment Agreements constituted connected transactions of the Company. The 2008 Amendment Agreements are subject to the reporting and announcements, and the requirement of independent shareholders’ approval under Chapter 14A of the Listing Rules. The 2008 Amendment Agreements were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 13 October 2008.

Relevant information on the 2008 Amendment Agreements was disclosed by the Company and HHI in the joint announcement dated 2 September 2008 and the joint circular dated 22 September 2008.

Continuing Connected Transactions

Management Agreement with Nan Yue

On 1 June 2007, West Route JV entered into a management agreement (“Management Agreement”) with Guangdong Nan Yue Logistics Company Limited (“Nan Yue”), a subsidiary of GPCG.

Pursuant to the Management Agreement, Nan Yue would provide to West Route JV the material logistics services, consisting of the planning, procurement and logistics management of the main construction materials for Phase II West (“Material Logistics Services”). The appointment is effective from the date of execution of such agreement and continues for three years or until the completion of the supply of the materials, payment of all material fees and after audit by the relevant departments of West Route JV, whichever is earlier. The appointment may be extended by mutual agreement. The Management Agreement will terminate after the end of the term of appointment of Nan Yue and the expiry of the warranty period (which is 24 months after the completion of Phase II West). The service fee is 2.5% of the fee for the materials supplied for Phase II West and shall be paid on a quarterly basis after deduction of the 5% assurance fee; such assurance fee shall be repayable without interest to Nan Yue upon completion of the term of the Management

Agreement. The material shall be purchased by Nan Yue from the relevant material suppliers and supplied to the contractors appointed by West Route JV for the construction of Phase II West ("Construction Contractors"). The material fee shall be payable by the Construction Contractors to Nan Yue. In the event that the relevant material supplier shall fail to supply the materials on time, upon approval by West Route JV, Nan Yue shall take such actions as may be required (including using its own material stock or making purchase separately) to resume the supply of materials for Phase II West.

Pursuant to the reasons disclosed in paragraph (B) under the section headed "Connected Transactions", Nan Yue, being a subsidiary of GPCG, is deemed to be a connected person of the Company and HHI for the purposes of Chapter 14A of the Listing Rules.

The service fee paid and payable to Nan Yue for the Material Logistics Services provided during the year ended 30 June 2009 under the Management Agreement was RMB12.0 million (2008: RMB11.7 million).

The Independent Non-executive Directors of the Company have reviewed and confirmed that the Material Logistic Services provided by Nan Yue for the financial year ended 30 June 2009 have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms; and in accordance with the Management Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged Deloitte Touche Tohmatsu, the auditor of the Company, to perform certain agreed upon procedures in respect of the Material Logistic Services provided by Nan Yue. The auditor has reported to the Board that (i) the Material Logistics Services transactions have received the approval of the Board of the Company, (ii) the amount of the Material Logistics Services fee for the year ended 30 June 2009 did not exceed the cap of RMB22 million per annum as disclosed in the joint announcement dated 1 June 2007 made by the Company and HHI, and (iii) the Material Logistics Services transactions have been entered into in accordance with the terms of the Management Agreement governing the connected transactions.

Saved as disclosed above, related party transactions that did not constitute connected transactions or continuing connected transactions made during the year are disclosed in note 44 to the consolidated financial statements.

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 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 annual report.

Auditor

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor 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, 26 August 2009