The following discussion and analysis should be read in conjunction with our combined audited financial statements as at and for the financial years ended 30 June 2010, 2011 and 2012 and the six months ended 31 December 2012, included in "Appendix I – Accountants' Report", together with the accompanying notes included elsewhere in this prospectus. The combined financial statements included in the Accountants' Report have been prepared in accordance with HKFRSs. The unaudited financial information has also been prepared in accordance with HKFRSs.

This discussion contains forward-looking statements that reflect the current views of management and involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are one of the leading developers, owners and operators of high quality properties in Hong Kong. We have a highly recognised brand, symbolising quality, innovation and excellence, and a well-established track record of over 40 years of creating shareholder value through developing projects in prime locations and in areas with high redevelopment and significant growth potential. We have three main business segments:

- property investment, comprising property letting, agency and management;
- hotel, restaurant and catering operation, comprising hotel ownership and management, restaurant operations and food catering; and
- property development, comprising the development and/or sale of properties, property under development and project management.

We believe that our development projects are strategically located and provide us with a well-planned pipeline of revenue-generating sources for the foreseeable future, which will contribute significantly to our continued business expansion. We will continue to identify and evaluate other opportunities to further strengthen our property portfolio in order to achieve long-term growth and profitability. For FY2010, FY2011 and FY2012, we recognised total turnover of HK$947.2 million, HK$1,056.2 million and HK$1,202.5 million, respectively. Correspondingly, for 1HFY2012 and 1HFY2013, we recognised total turnover of HK$591.3 million and HK$628.7 million, respectively. Our profit for the year was HK$4,062.7 million, HK$4,811.8 million and HK$2,744.5 million for FY2010, FY2011 and FY2012, respectively. During the same period, our profit for the year excluding fair value gains after tax was HK$257.1 million, HK$329.0 million and HK$396.1 million, respectively. For 1HFY2012 and 1HFY2013, our profit for the period was HK$1,395.0 million and HK$10,237.2 million, respectively, while our profit for the period excluding fair value gains after tax was HK$201.9 million and HK$232.0 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

General economic conditions, market cyclicality and government policies

The results of operations of our properties have been, and will continue to be, significantly impacted by global financial and economic conditions and by Hong Kong's economy in particular. Specifically, rental income from our investment properties and income from our hotel, restaurant and catering operation are affected by consumer spending power and confidence as well as general economic conditions. Furthermore, the demand for office and retail properties, along with the resulting income derived from those properties, is directly affected by macro-economic conditions, the growth of the Hong Kong and PRC economies and global economic uncertainties.

Moreover, the Hong Kong property market has historically been cyclical. Periods of economic growth are typically accompanied by higher rental rates upon tenancy renewal, rent review or entry into new leases as compared to the prior rental rates for a particular property. The opposite occurs during periods of sustained economic contraction or significant market disruptions. As lease terms and the periods between rental reviews typically are at least three years, rental rates on individual premises are locked in for several years at a level which may diverge from the prevailing market rate for similar premises during the period until the lease expires or until the next rental review.

Government policies may also affect our results of operations and financial condition. The Hong Kong Government has recently implemented policies and measures to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies and regulations include, but are not limited to, a number of taxes and duties, such as (i) the recently modified *ad valorem* stamp duty, which applies to the purchase of both residential and commercial property, save for residential property acquired by a permanent resident of Hong Kong who does not own any other residential property at the time of acquisition, (ii) the special stamp duty, which is imposed on disposal of properties in Hong Kong made within 36 months after acquisition, and (iii) a buyer's stamp duty on residential properties purchased by any person (including a company incorporated) except a permanent resident of Hong Kong. In addition to these policies, the Hong Kong Government may enact such laws and regulations as increased mortgage down payments, supply of land controls, building regulations, zoning ordinances, environmental related regulations or other fiscal policies. Furthermore, the Hong Kong Government may, in the future, implement additional policies with respect to both commercial and residential property. The occurrence of any of these could adversely impact the Hong Kong property market or limit the supply of available land. In addition, these may adversely impact the future sale of our residential or commercial properties, particularly, those located at the 200 Queen's Road East Project. In addition, the government in Hong Kong or China may change laws and regulations which limit the number of daily mainland Chinese travellers allowed to travel to Hong Kong. Doing so may materially and adversely affect the occupancy rates or daily room rates of our hotel, which could in turn affect our results of operations and financial condition.

Rental rates, daily room rates and occupancy trends

Rental rates and occupancy rates are the key drivers of our rental income. Rental rates are affected by the supply of comparable properties and the overall demand in the market, property sizes, the trade sectors in which tenants operate as well as other macroeconomic conditions. Occupancy rates largely depend on the supply of and demand for comparable properties, the rental rates of competing properties and the ability to minimise the intervals between lease expiries or terminations and the acquisition of new tenants or the signing of new leases. Furthermore, occupancy rates of a property tend to be lower during the initial ramp-up and renovation periods.

The daily room rates of our hotel are influenced by daily room rates charged by our competitors, the supply of rooms in the market, the attractiveness of our hotel's location, the breadth and quality of services provided, hotel industry trends, seasonality and general economic conditions. A shortage of rooms in the market will often have the effect of increasing achievable daily room rates as hotels increase their rates in response to demand, whereas an oversupply of rooms will often have the opposite effect. The occupancy rates of the hotel will be in part determined by the level of our daily room rates and our ability to minimise the period of time during which rooms are unoccupied between customers.

The following table sets out information on the average effective rent per gross sq. ft. and approximate GRA of our completed investment properties (excluding convention and exhibition portion and car park) for the periods indicated:

	FY			1HFY		Change in average rental rate for the period[(1)]	Approximate GRA as at 31 March 2013
	2010	2011	2012	2012	2013		
	HK$ per sq. ft. per month					*%*	*sq. ft.*
Office							
Hopewell Centre	25.4	26.1	27.9	27.7	30.0	8.3	637,343
KITEC	9.1	9.2	9.5	9.3	10.4	11.8	668,536
Retail							
Hopewell Centre	32.0	32.9	33.9	33.8	38.1	12.7	172,266
KITEC-E-Max	5.0	5.8	6.6	6.2	7.2	16.1	842,544
Panda Place	13.3	13.7	15.7	14.5	12.7[(2)]	(12.4)	230,026
QRE Plaza	22.1	23.2	26.3	24.4	34.0	39.3	79,541
Wu Chung House[(3)]	46.8	45.2	64.9[(4)]	57.1	69.6	21.9	17,738
GardenEast	41.0	53.5	49.0	52.5	57.1	8.8	6,452
Residential							
GardenEast	41.9	47.0	52.7	52.2	54.0	3.4	104,400

Notes:

(1) Reflecting the percentage of change in average rental rate between 1HFY2012 and 1HFY2013.

(2) The decreased average effective rent per gross sq. ft. in 1HFY2013 was primarily due to the temporary closure of certain portions of our retail space for renovations for several months. Our average monthly effective rent for December 2012 was HK$15.7.

(3) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

(4) The increased average effective rent per gross sq. ft. in FY2012 was primarily due to (i) our tenant refinement efforts and (ii) the increased rental rates agreed to by the new tenants.

The following table sets out information on the average daily room rates at our hotel for the periods indicated:

	FY			1HFY		Change in average daily room rates for the period[(1)]
	2010	2011	2012	2012	2013	
	HK$ per day					*%*
Hotel						
Panda Hotel	426.0	565.0	700.0	699.0	752.0	7.6

Note:

(1) Reflecting the percentage of change in average daily room rates between 1HFY2012 and 1HFY2013.

The following table sets out information on the average occupancy rates of our completed investment properties (excluding convention and exhibition portion and car park) for the periods indicated:

	FY			1HFY		Change in average occupancy rate for the period[1]
	2010	2011	2012	2012	2013	
				%		
Office						
Hopewell Centre	86.8	90.8	93.6	93.8	95.9	2.1
KITEC	81.1	83.5	94.5	93.0	96.6	3.6
Retail						
Hopewell Centre	87.1	93.0	97.0	95.3	100.0	4.7
KITEC-E-Max	93.0	92.5	94.1	94.6	93.4[2]	(1.2)
Panda Place	91.4	93.3	77.1[3]	91.9	95.0	3.1
QRE Plaza	87.9	90.3	86.0	83.1	86.0	2.9
Wu Chung House[4]	100.0	96.7	100.0	100.0	100.0	—
GardenEast	53.0[5]	100.0	93.9	100.0	100.0	—
Residential						
GardenEast	88.3	96.1	93.3	93.3	93.4	0.1

Notes:

(1) Reflecting the change in average occupancy rate between 1HFY2012 and 1HFY2013.

(2) The reduced occupancy rate in 1HFY2013 was primarily due to our retention of available rental spaces for our own use purposes and to facilitate future development and renovation.

(3) The reduced occupancy rate in FY2012 was primarily the result of construction and renovation that was occurring during the relevant periods. As a result, parts of Panda Place were not available for leasing.

(4) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

(5) GardenEast (apartments) commenced operations in 2009. Accordingly, the retail portion of the property was in its initial ramp-up period in FY2010, resulting in lower occupancy rates in such periods.

The following table sets out information on the average occupancy rates at our hotel for the periods indicated:

	FY			1HFY		Change in average occupancy rate for the period[1]
	2010	2011	2012	2012	2013	
				%		
Hotel						
Panda Hotel	84.3	89.5	89.9	94.2	93.6	(0.6)

Note:

(1) Reflecting the percentage of change in average occupancy rate between 1HFY2012 and 1HFY2013.

Scheduled lease expiries and rent reviews

Lease terms for our investment properties are generally more than three years for retail tenants and two to three years for office tenants. In addition, certain of our leases provide that the rents payable are reviewed and adjusted every three years or at other intervals in accordance with prevailing market levels. Lease terms for our residential leases generally range from one month to two years.

The following table sets out information relating to the scheduled expiry of our office and retail leases at our completed investment properties as at 31 December 2012:

As at 31 December 2012	Year of scheduled expiry of lease term	GRA as at 31 December 2012	Percentage of total GRA of our completed investment properties as at 31 December 2012	Respective rental income per month	Percentage of our total base rental income for December 2012
		sq. ft.	*%*	*HK$ Million*	*%*
Tenancies expiring in	FY2013	741,261	27.8	12.8	27.6
	FY2014	774,178	29.0	14.8	32.0
	FY2015	546,818	20.5	10.6	22.9
	FY2016 and beyond	427,365	16.0	8.1	17.5
Vacant space		179,111	6.7	—	—
Total		**2,668,733**	**100.0**	**46.3**	**100.0**

Our ability to re-lease expiring space and the terms we achieve will have an impact on our results of operations.

Changes in fair value of investment properties and recognition of fair value gains or losses under our management and accounting policies

Property values are affected by, among other factors, supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments in Hong Kong, construction costs and the timing of our development of properties. Under our management and accounting policies, there are two typical situations where we recognise gains or losses arising from changes in fair value of our investment properties:

(i) our investment properties are stated at their fair value as at each balance sheet date. Upon semi-annual revaluation, gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses in our combined statements of profit or loss and other comprehensive income; and

(ii) we typically record investment properties under development initially at cost in our accounts. Subsequent to the initial recognitions, investment properties under development are measured at their fair values. In circumstances where the fair value of an investment property under development is not reliably measurable but the fair value of the property is expected to be reliably measurable when construction is completed, such investment property under development is measured at cost less impairment, if any, until either its fair value becomes reliably determinable (typically upon the formulation of concrete plans regarding the development and use of the property) or when the construction is completed, whichever is the earlier. We recognise a fair value gain or loss on investment properties under development equal to the difference between the fair value and the cost.

The semi-annual revaluation of our investment properties has resulted and may continue to result in significant fluctuations in our operating profit. A fair value gain of investment properties under development (with respect to Broadwood Twelve) of HK$2,237.8 million was recorded in FY2010, followed by nil in FY2011 and FY2012. The fair value gain of investment properties under development (with respect to Broadwood Twelve) in FY2010 was mainly due to the completion of Broadwood Twelve. A fair value gain of investment properties under development (with respect to the commercial portion of Hopewell Centre II after land conversion) of HK$2,153.0 million was recorded in 1HFY2013, which represented a gain in the value of the commercial portion of Hopewell Centre II which arose from the conversion of the bare land to land with a foreseeable development plan, after payment of the land premium during 1HFY2013. As of 31 December 2012, the estimated market value of the commercial portion of Hopewell Centre II was approximately HK$4.3 billion, compared to its carrying value of approximately HK$2.1 billion as at 31 October 2012 immediately following payment of the land premium. As a result, a land conversion gain of HK$2,153.0 million was recorded. A fair value gain of completed investment properties of HK$1,467.6 million was recorded in FY2010, followed by a gain of HK$4,316.2 million and HK$2,348.4 million in FY2011 and FY2012, respectively. The reduction in the amount of fair value gain from FY2011 to FY2012 was mainly due to the reduced rate at which property valuation grew in FY2012. A fair value gain of completed investment properties of HK$1,193.1 million and HK$7,852.2 million was recorded in 1HFY2012 and 1HFY2013, respectively. The fair value gain in 1HFY2013 reflected: (i) an increase in the fair value of Hopewell Centre of HK$3,469.8 million, which was the result of an increase in property value surrounding Hopewell Centre II after the beginning of preparation work for construction of Hopewell Centre II, an improved rental performance, improved connectivity with the surrounding areas as well as positive rental reversion resulting from the decentralisation trend; (ii) an increase in the fair value of KITEC of HK$2,788.1 million, which resulted from an improved rental performance, a land sale by the Government in the surrounding Kowloon Bay area at the price of HK$5,460 per sq. ft. in November 2012, the Government's "Energizing Kowloon East" initiatives and CBD2 plans as well as positive rental reversion resulting from the decentralisation trend; and (iii) an increase in the fair value of Panda Place of HK$798.3 million which was driven by a 65% increase in the FY2014 full year rental income[(1)] based on rental contracts on hand as compared to FY2012 rental income and the completion of an extensive renovation programme. Furthermore, the fair value gain in 1HFY2013 was also positively impacted by the general increase in the market rates of areas in which our properties are located. A fair value gain of investment properties held for sale of HK$120.0 million and HK$199.5 million was recorded in FY2010 and FY2011, respectively. These gains primarily reflected changes in the fair value of Broadwood Twelve following its reclassification as "assets classified as held for sale" on 24 May 2010. There was no fair value gain of investment properties held for sale in FY2012, 1HFY2012 or 1HFY2013.

Property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may be higher or lower if the valuer uses a different set of bases or assumptions or if the valuation is conducted by other qualified independent professional valuers using the same or a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealised capital gains on our completed investment properties in the relevant period and do not generate any cash inflow for our operations or potential dividend distribution to our equity holders. We cannot assure you that similar levels of fair value gains can be sustained in the future.

Revenue mix

We retain our investment properties (office, retail and serviced apartment properties and convention and exhibition venue) primarily for long-term investment purposes, and may in the future retain additional investment properties for recurring rental income and/or for capital appreciation. We have historically sold, and intend to continue to sell, our residential properties (other than our serviced apartments) to purchasers. We also generate income from our hotel, restaurant and catering operation. Accordingly, our results of operations may vary significantly from period to period depending on the type of properties we sell or lease out and the source of our income.

Note:

(1) The calculation is based on base rent and excludes turnover rent.

The following table sets out our segment revenue during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million				
Property investment	627.5	675.2	751.0	368.8	403.4
Hotel, restaurant and catering operation	326.9	388.4	461.2	227.7	230.2
Property development	—	1,519.3	676.7	403.6	239.3[(1)]

Note:

(1) The decrease in revenue from 1HFY2012 to 1HFY2013 was primarily due to the reduced number of units available for sale and reduced selling pace towards the end of the sales cycle. This was broadly in line with our expectations.

The proportion of segment revenue derived from different segments will affect our turnover from period to period. Our results of operations and cash flows will also vary depending on the proportion of our investment properties held for lease and properties held for sale, as investment properties generate steady recurring income, while properties for sale produce relatively larger influxes of, or fluctuations in, turnover.

Construction and related costs

Construction and related costs have, and will continue to have, a significant impact on our business and results of operations. These costs primarily include construction materials and, to a lesser extent, labour costs. In recent years, construction and related costs have generally been on the rise in Hong Kong due to inflation and government policies. We expect that these costs will continue to rise. While we aim to manage our costs efficiently through our cost control measures and procurement and bidding procedures, we are subject to fee quotes from contractors and increases in construction and related costs will likely prompt our contractors to increase their fee quotes for new contracts. We will continue to incur construction and related costs in the future. Specifically, we will incur a significant amount of these costs for the development of Hopewell Centre II in the next several years.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company acquired the entire equity interest in the companies comprising the Group (except for Linford) from certain subsidiaries of Hopewell in 2013. Since then, the Company became the holding company of the companies comprising part of the Group (the "Combined Entities"). The Combined Entities and the Company were under the common control of Hopewell before and after the Reorganisation. As a result, the Combined Entities and the Company are regarded as continuing entities and the acquisition of the Combined Entities are accounted for as a reorganisation of entities under common control by applying the principles of merger accounting.

The financial information for the Track Record Period includes the results, the changes in equity, the cash flows and the financial positions of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation or establishment, or acquisition by Hopewell, whichever period is shorter.

CRITICAL ACCOUNTING POLICIES

Estimates and judgments used in preparing our combined financial information are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. We make estimates and assumptions concerning the future. The estimates and assumptions that have a significant effect on the carrying amount of assets and liabilities are discussed below.

When reviewing our combined financial information, you should consider: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies are the most significant or involve a higher degree of judgment and estimates used in the preparation of our combined financial information.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties under development are initially measured at cost. Subsequent to initial recognition, investment properties under development are measured at their fair values. In circumstances where the fair value of an investment property under development is not reliably determinable but the fair value of the property is expected to be reliably determinable when construction is completed, such investment property under development is measured at cost less impairment, if any, until either its fair value becomes reliably determinable or construction is completed, whichever is earlier. Once the fair value of an investment property under development that has previously been measured at cost is able to be measured reliably, the property is measured at fair value. Any difference between the fair value of the property at that time and its previous carrying amount is recognised in profit or loss.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss for the period in which the item is derecognised.

If an investment property becomes property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the changes, the property is stated at deemed cost, equivalent to the fair value at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

Properties under development

Properties under development are carried at cost less any recognised impairment loss. The cost of properties comprises development expenditure, other directly attributable expenses and, where appropriate, borrowing costs capitalised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, less discounts and sales related taxes.

Lease of properties

Rental income in respect of properties under operating leases is recognised on a straight-line basis over the respective lease term.

Property agency and management

Revenue from the provision of property agency and management services is recognised when the relevant services are provided.

Property development

Revenue from the sale of properties in the ordinary course of business is recognised when the respective properties have been completed, the relevant completion certificates are issued by the respective government authorities and the properties have been delivered to the purchasers. Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the combined statements of financial position under current liabilities.

Hotel investment and management

Revenue from hotel investment and management is recognised when the relevant services are provided.

Restaurant and catering operation

Revenue from restaurant and catering operation is recognised when goods are delivered and services are provided.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as a finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the combined statements of financial position at cost or deemed cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or deemed cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, from the date on which they become fully operational and after taking into account of their estimated residual value.

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in a property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve is transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Turnover, segment revenue and segment results

Turnover comprises mainly income from property letting, agency and management, property development and service fee income from hotel ownership and management and restaurant and catering operation.

We are organised into certain business units according to the nature of the goods sold or services provided. We determine our operating segments based on these units by reference to the goods sold or services provided for the purpose of reporting to the chief operating decision maker.

The following table sets out our operating segments based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment:

Property investment	property letting, agency and management
Hotel, restaurant and catering operation	hotel ownership and management, restaurant operations and food catering
Property development	development and/or sale of properties, property under development and project management

Segment revenue comprises (i) turnover as presented in combined statements of profit or loss and other comprehensive income, (ii) gross proceeds from the sale of investment properties held for sale and (iii) our share of revenue of jointly controlled entities.

In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue must be reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development.

Segment results represent the profit earned by each segment without allocation of corporate administrative expenses, fair value gain of completed investment properties and finance costs. This is the measure reported to our chief operating decision maker for the purposes of resource allocation and performance assessment.

Fair value gain of investment properties under development and investment properties held for sale form part of the segment result of property development. Segment results of property development in FY2010 primarily represented the fair value gain of investment properties under development (namely Broadwood Twelve). No sales of Broadwood Twelve were recognised in FY2010. As a result, no revenue for this segment was recorded in FY2010.

The following table sets out our segment revenue and segment results during the Track Record Period:

	Segment Revenue					Segment Results				
	FY			1HFY		FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million					*HK$ Million*				
Property investment	627.5	675.2	751.0	368.8	403.4	378.9	400.3	449.2	222.0	251.7
Hotel, restaurant and catering operation	326.9	388.4	461.2	227.7	230.2	54.1	93.6	129.9	71.8	81.3
Property development	—	1,519.3	676.7	403.6	239.3	2,323.1	194.9	(7.6)	—	2,146.9
Total	**954.4**	**2,582.9**	**1,888.9**	**1,000.1**	**872.9**	**2,756.1**	**688.8**	**571.5**	**293.8**	**2,479.9**

The following table reconciles our segment results with our combined statements of profit or loss and other comprehensive income:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million				
Total segment results	**2,756.1**	**688.8**	**571.5**	**293.8**	**2,479.9**
Unallocated corporate expenses	(65.8)	(67.4)	(70.5)	(35.1)	(35.2)
	2,690.3	621.4	501.0	258.7	2,444.7
Finance costs	(20.1)	(20.1)	(17.3)	(8.8)	(7.2)
Fair value gain of completed investment properties	1,467.6	4,316.2	2,348.4	1,193.1	7,852.2
Profit before taxation	**4,137.8**	**4,917.5**	**2,832.1**	**1,443.0**	**10,289.7**

The following tables set out our gross profit and gross margin by segment for the periods indicated:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million				
Property investment segment gross profit(1)	413.1	445.1	509.3	249.1	284.3
Hotel, restaurant and catering operation segment gross profit	115.1	162.5	210.9	108.2	117.0
Property development segment gross profit(2)	N/A	N/A	N/A	N/A	N/A
Total	**528.2**	**607.6**	**720.2**	**357.3**	**401.3**

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	%				
Property investment segment gross margin(1)	66.6	66.6	68.7	68.5	71.3
Hotel, restaurant and catering operation segment gross margin	35.2	41.8	45.7	47.5	50.8
Property development segment gross margin(2)	N/A	N/A	N/A	N/A	N/A
Total	**55.8**	**57.5**	**59.9**	**60.4**	**63.8**

Notes:

(1) In order to calculate property investment segment gross profit and gross margin, total property investment segment revenue is reduced by share of revenue of jointly controlled entities.

(2) Calculating gross profit and gross margin by segment does not apply to the segment of property development because the total segment revenue must be reduced by sale of completed investment properties held for sale included in the segment revenue of property development in order to reconcile total segment revenue to total turnover under the relevant HKFRS accounting rules. As a result, there is no basis upon which gross profit and gross margin can be calculated because the entire segment has already been deducted and eliminated in order to arrive at total turnover.

The following table sets out our total segment revenue and total turnover during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Property investment					
Office					
Hopewell Centre	161.7	168.6	178.9	88.3	99.5
KITEC	57.0	57.1	70.3	32.3	39.1
Retail					
Hopewell Centre	53.0	59.6	66.2	32.5	38.1
KITEC-E-Max	42.5	51.4	58.7	27.5	32.2
Panda Place	32.9	35.1	33.2	18.3	9.2(1)
QRE Plaza	17.7	19.2	20.8	9.1	12.6
Wu Chung House(2)	9.9	9.4	13.8	6.1	7.4
GardenEast	1.8	3.3	3.6	2.0	2.3
Residential					
GardenEast	46.4	56.6	60.8	30.5	31.6
Others					
KITEC (convention and exhibition)	39.6	40.4	48.5	25.8	33.6
Air conditioning and management fees					
Hopewell Center	48.8	50.8	55.1	26.7	29.2
KITEC	56.8	57.3	60.7	30.0	30.7
Panda Place	10.4	11.0	9.0	5.3	3.7
Other properties	9.9	10.8	11.1	6.0	4.9
Others(3)	39.1	44.6	60.3	28.4	29.3
Total property investment segment revenue	**627.5**	**675.2**	**751.0**	**368.8**	**403.4**
Hotel, restaurant and catering operation					
Panda Hotel(4)	205.0	266.7	327.6	171.4	177.9
Restaurant and catering operation and others	121.9	121.7	133.6	56.3	52.3(5)
Total hotel, restaurant and catering operation segment revenue	**326.9**	**388.4**	**461.2**	**227.7**	**230.2**
Property development					
Broadwood Twelve	—	1,519.3	676.7	403.6	239.3(6)
Total property development segment revenue	**—**	**1,519.3**	**676.7**	**403.6**	**239.3**
Total segment revenue	**954.4**	**2,582.9**	**1,888.9**	**1,000.1**	**872.9**
Less: Share of revenue of jointly controlled entities	(7.2)	(7.4)	(9.7)	(5.2)	(4.9)
Less: Sale of completed investment properties held for sale included in the segment revenue of property development	—	(1,519.3)	(676.7)	(403.6)	(239.3)
Total turnover(7)	**947.2**	**1,056.2**	**1,202.5**	**591.3**	**628.7**

Notes:

(1) The decrease in revenue in 1HFY2013 was primarily the result of the closure of certain portions of our retail space for renovations for several months.

(2) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

(3) Includes rental income from car park and certain units of Broadwood Twelve, share of revenue of jointly controlled entities and other miscellaneous income.

(4) Includes revenue from Panda Hotel's room rentals, food and beverage services and others.

(5) The decrease in revenue in 1HFY2013 was primarily the result of the closure of a restaurant.

(6) The decrease in revenue in 1HFY2013 was primarily due to the reduced number of units available for sale and the reduced selling pace at the end of the sales cycle, which was broadly in line with our expectations.

(7) In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue is reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development. Share of revenue of jointly controlled entities comprises revenue associated with our jointly controlled entities (namely Grand Site and Hong Kong Bowling City Limited) over which we were in a position to exercise joint control with other participating parties during the relevant period. Subsequent to the Track Record Period, the entire shareholding interest in the parent company of Hong Kong Bowling City Limited was sold to the Remaining Group for a cash consideration of US$1.00 on 28 March 2013. Sale of completed investment properties held for sale included in the segment revenue of property development comprises revenue derived from the sale of units at Broadwood Twelve.

Cost of sales and services

Cost of sales and services comprises expenses related to our investment properties, which include property management services staff costs, utility expenses, building maintenance and services, government rent and other related expenses. We also incur cost of sales and services related to our hotel, restaurant and catering operation which comprises hotel and restaurant staff costs, food costs, utility expenses, hotel maintenance, government rent and other related expenses.

The following table sets out the breakdown of our cost of sales and services by segment during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million				
Property investment	207.2	222.7	232.0	114.5	114.2
Hotel, restaurant and catering operation	211.8	225.9	250.3	119.5	113.2
Total cost of sales and services	**419.0**	**448.6**	**482.3**	**234.0**	**227.4**

The following table sets out the breakdown of our cost of sales and services by nature during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million				
Staff costs	138.5	149.0	171.1	85.4	85.0
Depreciation	13.9	13.7	12.7	6.7	4.9
Food costs	53.8	54.6	63.6	29.9	26.6
Other rental outgoings	159.5	168.3	168.0	81.8	78.5
Other hotel & catering operating cost	53.3	63.0	66.9	30.2	32.4
Total cost of sales and services	**419.0**	**448.6**	**482.3**	**234.0**	**227.4**

Other income

Other income comprises primarily rental income from advertising spaces and outdoor spaces rented to telecommunications companies for the installation of receivers and other mobile telecommunications equipment as well as forfeiture of rental deposits.

Selling and distribution costs

Selling and distribution costs comprise primarily costs for sales staff, marketing and advertising. The following table sets out the breakdown of our selling and distribution costs during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million				
Property investment	44.4	51.3	53.3	24.4	23.2
Hotel, restaurant and catering operation	7.2	9.1	9.8	3.8	5.0
Property development	7.6	23.7	6.4	4.9	0.4
Total selling and distribution costs	**59.2**	**84.1**	**69.5**	**33.1**	**28.6**

Administrative expenses

Administrative expenses comprise primarily costs for administrative staff, depreciation and other general expenses. The following table sets out the breakdown of our administrative expenses by segment during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million				
Property investment	25.8	36.9	49.0	24.0	27.7
Hotel, restaurant and catering operation	32.1	37.6	49.2	22.7	22.3
Property development	24.3	16.4	17.4	10.8	12.5
Unallocated expenses[1]	65.8	67.4	70.5	35.1	35.2
Total administrative expenses	**148.0**	**158.3**	**186.1**	**92.6**	**97.7**

Note:

(1) Includes management fees charged by Hopewell and other miscellaneous expenses.

Finance costs

Finance costs represent our interest expense in addition to any loan commitment fees. Due to the capital intensive nature of the property industry, it is common for property developers to maintain a significant line of credit. During the Track Record Period, we entered into credit facilities which required a loan commitment in order to make the funds readily available to us. Such arrangements allow us to maintain flexibility in terms of our financing and place us in a position to take advantage of business opportunities when they arise.

Gain on disposal of investment properties

We sold certain residential units of Broadwood Twelve after 24 May 2010. Broadwood Twelve was jointly developed by two of our subsidiaries. The property was originally intended to be held for long-term rental purposes. Having considered the property market conditions at that time, in particular the surge in demand for, and the selling prices of, luxurious residential properties as well as the trend in rental yield, we decided to sell the units at Broadwood Twelve on 24 May 2010. As a result, we reclassified Broadwood Twelve as assets classified as held for sale. Gross sales revenue from sales of units of Broadwood Twelve in FY2011, FY2012, 1HFY2012 and 1HFY2013 could not be recognised as turnover because the units sold were accounted for as investment properties. As investment properties, units of Broadwood Twelve are stated at their fair value as at each balance sheet date. Upon semi-annual revaluation, gains or losses arising from changes in fair value of Broadwood Twelve are accounted for as gains and losses in our combined statements of profit or loss and other comprehensive income. At the time of sale, we calculated the gain on disposal by deducting from the gross sales revenue of the units sold (i) the direct cost incurred for the sales and (ii) the book value attributable to the units sold (measured at fair value). Please refer to note 12 of "*Appendix I — Accountants' Report*" for more details.

The following table sets out the calculations relating to gains on the disposal of units of Broadwood Twelve during the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Gross sales revenue of units sold	—	1,519.3	676.7	403.6	239.3
Less: Book value as at the end of the preceding financial year attributable to the units sold (measured at fair value)	—	(1,417.4)	(634.9)	(380.7)	(220.0)
Less: Direct costs incurred for property sales	—	(55.5)	(23.0)	(8.0)	(10.9)
Gain on disposal of investment properties	—	46.4	18.8	14.9	8.4

Fair value gain of investment properties under development

Broadwood Twelve

On 1 July 2009, as a result of Amendments to HKAS 40 *Investment Property*, Broadwood Twelve was reclassified from properties under development with total carrying amounts of HK$452.8 million to investment properties. The development of Broadwood Twelve was completed during FY2010. Fair value gain of investment properties under development with respect to Broadwood Twelve represents gain arising from changes in the fair value of Broadwood Twelve prior to completion, which amounted to HK$2,237.8 million and was recognised in our combined statements of profit or loss and other comprehensive income during FY2010.

Commercial portion of Hopewell Centre II after land conversion

Fair value gain of investment properties under development with respect to the commercial portion of Hopewell Centre II after land conversion represented the fair value gain of the commercial portion of Hopewell Centre II which arose from the conversion of the bare land to land with a foreseeable development plan after payment of the land premium during 1HFY2013. As of 31 December 2012, the estimated market value of the commercial portion of Hopewell Centre II was approximately HK$4.3 billion, compared to its carrying value of approximately HK$2.1 billion as at 31 October 2012 immediately following payment of the land premium. As a result, a land conversion gain of HK$2,153.0 million was recorded.

Fair value gain of investment properties held for sale

Prior to its reclassification as assets classified as held for sale on 24 May 2010, Broadwood Twelve was accounted as investment property. Following its reclassification, all gains arising from changes in the fair value of Broadwood Twelve are recognised as fair value gain of investment properties held for sale.

Fair value gain of completed investment properties

Investment properties that are completed are measured at fair value. The fair value of our completed investment properties have been arrived at on the basis of a valuation carried out by DTZ, an independent firm of professional property valuers. For office space, serviced apartments, car parks and retail outlets, the valuation is arrived at by using an income capitalisation approach (capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties) or, where appropriate, using a direct comparison method by making reference to comparable sales transactions as available in the relevant market. For convention and exhibition venue, the valuation is also arrived at by using an income capitalisation approach (capitalising the estimated annual net income) and is based on the valuer's opinion as to the future trading potential and level of turnover likely to be achieved. Changes in fair value are recognised in our combined statements of profit or loss and other comprehensive income.

Share of profits (losses) of jointly controlled entities

Jointly controlled entities are those entities that are held for long-term, over which we are in a position to exercise joint control with other participating parties in accordance with contractual arrangements and where none of these participating parties has unilateral control over the economic activity of the joint venture. Our principal jointly controlled entity is Grand Site, a development and property investment company, in which we hold 50.0% of the issued or registered capital. Grand Site is the developer of, and holds the economic interest in, the 200 Queen's Road East Project. During the Track Record Period, we also held 50% of the issued or registered share capital of Hong Kong Bowling City Limited, a bowling centre operation company. Subsequent to the Track Record Period, the entire shareholding interest in the parent company of Hong Kong Bowling City Limited was sold to the Remaining Group for a cash consideration of US$1.00 on 28 March 2013.

Income tax expenses and taxation

We are subject to Hong Kong profits tax. The Hong Kong profits tax rate is currently calculated at 16.5%. Our income tax expenses for FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013 were HK$75.1 million, HK$105.7 million, HK$87.6 million, HK$48.0 million and HK$52.5 million, respectively. Our effective tax rate (including fair value gains) was 1.8%, 2.1%, 3.1%, 3.3% and 0.5% for FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, respectively. The variations in our effective tax rate from FY2010 to 1HFY2013 were primarily due to the changes in the amount of fair value gains. Our effective tax rate (excluding fair value gains of investment properties under development and completed investment properties) was 17.4%, 17.6%, 18.1%, 19.2% and 18.5% for FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, respectively. Our effective tax rate (excluding fair value gains of investment properties under development and completed investment properties) remained relatively stable from FY2010 to 1HFY2013.

Fair value gain of investment properties under development (with respect to Broadwood Twelve) (HK$2,237.8 million in FY2010) represents the gain arising from changes in the fair value of Broadwood Twelve up to completion. On 24 May 2010, we decided to sell the residential units at Broadwood Twelve instead of holding them for rental as originally intended and reclassified them as assets classified as held for sale. Notional fair value gains accrued up to this date were considered to be capital in nature and should not be subject to tax. Following the reclassification on 24 May 2010, all gains arising from changes in the fair value of Broadwood Twelve were recognised as fair value gain of investment properties held for sale (HK$120.0 million in FY2010 and HK$199.5 million in FY2011) and such gains were subject to tax.

In May 2012, the two subsidiaries responsible for developing Broadwood Twelve filed their respective tax returns in respect of FY2011 (i.e. the first financial year when the sale profit of the properties was recognised) on the basis that only the profit on disposal of the properties arising after 24 May 2010 was subject to tax and that the fair value gain of HK$2,237.8 million up to 24 May 2010 was not subject to tax. While the two subsidiaries received tax assessments from the IRD which were consistent with the tax position held by these companies, it is not possible to determine the ultimate view of the IRD at this stage. Our tax adviser advised us that it is the IRD's normal practice to issue tax assessments in accordance with the tax returns submitted by taxpayers. However, the IRD may select the tax returns for review at a later date and is empowered to raise additional assessments within six years after the end of the relevant years of assessment. Therefore, even if the two subsidiaries received tax assessments from the IRD which were consistent with the tax position held by these companies, it is not possible to determine the ultimate conclusion of the IRD at this stage. Should the IRD not agree with the non-taxable income claim on gains arising from changes in fair value at Broadwood Twelve prior to 24 May 2010, the relevant potential tax liabilities in this regard would amount to approximately HK$369.2 million. Hopewell has undertaken to the Company that, if any subsidiary of the Group is required to pay the IRD any amount of tax relating to any further assessments relating to the Group's tax liabilities incurred up to the Listing Date, Hopewell will pay to the Company an amount equal to the amount of such payment.

DISCUSSION OF RESULTS OF OPERATIONS

The table below summarises our combined results of profit or loss and other comprehensive income for the Track Record Period:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Turnover	**947.2**	**1,056.2**	**1,202.5**	**591.3**	**628.7**
Property investment segment revenue	627.5	675.2	751.0	368.8	403.4
Hotel, restaurant and catering operation segment revenue	326.9	388.4	461.2	227.7	230.2
Property development segment revenue	—	1,519.3	676.7	403.6	239.3
Total segment revenue	954.4	2,582.9	1,888.9	1,000.1	872.9
Less sale of completed investment properties held for sale included in the segment revenue of property development	—	(1,519.3)	(676.7)	(403.6)	(239.3)
Less share of revenue of jointly controlled entities	(7.2)	(7.4)	(9.7)	(5.2)	(4.9)
Cost of sales and services	(419.0)	(448.6)	(482.3)	(234.0)	(227.4)
Gross profit	528.2	607.6	720.2	357.3	401.3
Other income	11.5	10.2	15.5	11.2	11.4
Selling and distribution costs	(59.2)	(84.1)	(69.5)	(33.1)	(28.6)
Administrative expenses	(148.0)	(158.3)	(186.1)	(92.6)	(97.7)
Gain on disposal of investment properties	—	46.4	18.8	14.9	8.4
Fair value gain of					
Investment properties under development					
Broadwood Twelve	2,237.8	—	—	—	—
Commercial portion of Hopewell Centre II after land conversion	—	—	—	—	2,153.0
Completed investment properties	1,467.6	4,316.2	2,348.4	1,193.1	7,852.2
Investment properties held for sale	120.0	199.5	—	—	—
Finance costs	(20.1)	(20.1)	(17.3)	(8.8)	(7.2)
Share of profits (losses) of jointly controlled entities	—	0.1	2.1	1.0	(3.1)
Profit before taxation	4,137.8	4,917.5	2,832.1	1,443.0	10,289.7
Income tax expense	(75.1)	(105.7)	(87.6)	(48.0)	(52.5)
Profit for the year/period	**4,062.7**	**4,811.8**	**2,744.5**	**1,395.0**	**10,237.2**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gain arising from revaluation of other properties before reclassification to investment properties	—	45.1	119.0	102.2	—
Other comprehensive income for the year	—	45.1	119.0	102.2	—
Total comprehensive income for the year	**4,062.7**	**4,856.9**	**2,863.5**	**1,497.2**	**10,237.2**

1HFY2013 compared to 1HFY2012

Turnover and segment revenue

Our turnover increased by 6.3% from HK$591.3 million in 1HFY2012 to HK$628.7 million in 1HFY2013, primarily reflecting an increase in segment revenue from property investment.

Segment revenue from property investment

Segment revenue from property investment, which included property letting, agency and management operations, increased by 9.4% from HK$368.8 million in 1HFY2012 to HK$403.4 million in 1HFY2013. This mainly reflects increased rental income from our properties, driven by higher occupancy rates at most of our investment properties. The increases were primarily attributable to our ongoing asset enhancement efforts and brand-building strategies, coupled with effective reviews of zoning and space planning, a refinement of our tenant mix and the improvement of the connectivity of the properties with surrounding areas which are undergoing redevelopment.

Segment revenue from hotel, restaurant and catering operation

Segment revenue from hotel, restaurant and catering operation increased by 1.1% from HK$227.7 million in 1HFY2012 to HK$230.2 million in 1HFY2013. Segment revenue from Panda Hotel increased by 3.8% from HK$171.4 million in 1HFY2012 to HK$177.9 million in 1HFY2013, primarily due to: (i) an increase in our average daily room rates as well as a relatively high occupancy rate which remained at 94%, (ii) a continued influx in the number of mainland Chinese tourists, (iii) a series of guestroom renovations including upgrading our deluxe and executive rooms and (iv) a greater devotion of our resources to sales and marketing promotions. Segment revenue from restaurant and catering operation and others[(1)] decreased by 7.1% from HK$56.3 million in 1HFY2012 to HK$52.3 million in 1HFY2013, primarily due to the closure of a restaurant.

Segment revenue from property development

Segment revenue from property development decreased by 40.7% from HK$403.6 million in 1HFY2012 to HK$239.3 million in 1HFY2013, primarily due to a decrease in the number of residential units sold and recognised at Broadwood Twelve. This reduced number of sales transactions was broadly in line with our expectations.

In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue is reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development. For 1HFY2012 and 1HFY2013, share of revenue of jointly controlled entities amounted to HK$5.2 million and HK$4.9 million, respectively. For 1HFY2012 and 1HFY2013, sale of completed investment properties held for sale included in the segment revenue of property development amounted to HK$403.6 million and HK$239.3 million, respectively.

Cost of sales and services

Our cost of sales and services decreased by 2.9% from HK$234.0 million in 1HFY2012 to HK$227.4 million in 1HFY2013, primarily due to a decrease in our other rental outgoings, which primarily reflects a decrease in our repair and maintenance expenses and furniture, fixture and equipment expenses; and a decrease in food costs, which was primarily the result of the closure of a restaurant. Our cost of sales and services as a percentage of turnover decreased from 39.6% in 1HFY2012 to 36.2% in 1HFY2013, primarily due to the fact that turnover increased at a higher rate than cost of sales and services.

Note:

(1) Excludes revenue from restaurant and catering operations at Panda Hotel.

Gross profit and gross margin

For the above reasons, our gross profit increased by 12.3% from HK$357.3 million in 1HFY2012 to HK$401.3 million in 1HFY2013. Our gross margin increased from 60.4% in 1HFY2012 to 63.8% in 1HFY2013, primarily due to an increase in rental rates when compared to cost of sales and services, some of which are fixed in nature and experienced less fluctuation.

Other income

Other income remained relatively stable at HK$11.2 million in 1HFY2012 and HK$11.4 million in 1HFY2013.

Selling and distribution costs

Selling and distribution costs decreased by 13.7% from HK$33.1 million in 1HFY2012 to HK$28.6 million in 1HFY2013. This mainly reflects a continued decrease in television advertising for units available for sale at Broadwood Twelve, as a majority of the units have been sold. We typically devote more resources to advertising our available for sale properties at the beginning of the sale launch period.

Administrative expenses

Administrative expenses increased by 5.5% from HK$92.6 million in 1HFY2012 to HK$97.7 million in 1HFY2013, primarily due to increased staff and staff costs.

Gain on disposal of investment properties

Gain on disposal of investment properties decreased by 43.8% from HK$14.9 million in 1HFY2012 to HK$8.4 million in 1HFY2013, primarily due to a reduced number of units sold at Broadwood Twelve.

Fair value gain of investment properties under development

Fair value gain of investment properties under development increased from nil in 1HFY2012 to HK$2,153.0 million in 1HFY2013, primarily due to a land conversion gain attributable to the commercial portion of Hopewell Centre II which occurred upon the conversion of the bare land to land with a foreseeable development plan after payment of the land premium.

Fair value gain of completed investment properties

Fair value gain of completed investment properties increased by 6.6 times from HK$1,193.1 million in 1HFY2012 to HK$7,852.2 million in 1HFY2013. The fair value gain in 1HFY2013 was primarily due to an increase in the fair value of Hopewell Centre of HK$3,469.8 million, an increase in the fair value of KITEC of HK$2,788.1 million and an increase in the fair value of Panda Place of HK$798.3 million. The increase in the fair value of Hopewell Centre was primarily due to an increase in property value surrounding Hopewell Centre II after the beginning of preparation work for construction of Hopewell Centre II and an improved rental performance. The increase in the fair value of KITEC was primarily due to an improved rental performance and a land sale by the Government in the surrounding Kowloon Bay area at the price of HK$5,460 per sq. ft. in November 2012. The increase in the fair value of Panda Place was primarily due to a 65% increase in the FY2014 full year rental income[1] based on rental contracts on hand as compared to FY2012 rental income. Furthermore, the fair value gain in 1HFY2013 was also positively impacted by the general increase in the market rates of areas in which our properties are located. For further information, please see "— *Significant Factors*

Note:

(1) The calculation is based on base rent and excludes turnover rent.

Affecting our Results of Operations and Financial Condition — Changes in fair value of investment properties and recognition of fair value gains or losses under our management and accounting policies".

Fair value gain of investment properties held for sale

We did not recognise any fair value gain of investment properties held for sale in 1HFY2012 and 1HFY2013, primarily due to the relatively stable nature of the luxury residential market which resulted in no gain.

Finance costs

Finance costs decreased by 18.2% from HK$8.8 million in 1HFY2012 to HK$7.2 million in 1HFY2013. Our interest on bank borrowings and loan commitment fees and others increased by 27.4% from HK$8.8 million in 1HFY2012 to HK$11.2 million in 1HFY2013. This increase was offset by the capitalisation of HK$4.0 million of interest expense in properties under development during 1HFY2013.

Share of profits (losses) of jointly controlled entities

Share of profits (losses) of jointly controlled entities decreased from a profit of HK$1.0 million in 1HFY2012 to a loss of HK$(3.1) million in 1HFY2013, primarily due to a loss at Grand Site which resulted from marketing costs incurred in connection with the pre-sale of residential units at the 200 Queen's Road East Project that cannot be capitalised.

Profit before taxation

Our profit before taxation increased by 7.1 times from HK$1,443.0 million in 1HFY2012 to HK$10,289.7 million in 1HFY2013, primarily due to an increase in fair value gain of completed investment properties, and to a lesser extent, an increase in fair value gain of investment properties under development.

Income tax expense

Our income tax expense increased by 9.4% from HK$48.0 million in 1HFY2012 to HK$52.5 million in 1HFY2013, primarily due to an increase in taxable profit.

Profit for the period

As a result of the foregoing, our profit for the period increased by 7.3 times from HK$1,395.0 million in 1HFY2012 to HK$10,237.2 million in 1HFY2013.

Our profit for the period excluding fair value gains after tax increased by 15.0% from HK$201.9 million in 1HFY2012 to HK$232.0 million in 1HFY2013.

FY2012 compared to FY2011

Turnover and segment revenue

Our turnover increased by 13.9% from HK$1,056.2 million in FY2011 to HK$1,202.5 million in FY2012, primarily reflecting an increase in segment revenue from property investment and hotel, restaurant and catering operation.

Segment revenue from property investment

Segment revenue from property investment, which included property letting, agency and management operations, increased by 11.2% from HK$675.2 million in FY2011 to HK$751.0 million in

FY2012. This mainly reflects increased rental income from most of our properties, in particular our Hopewell Centre and KITEC properties, driven by increased average occupancy rates at a majority of our investment properties and increased average rental rates at most of our investment properties. These increases primarily reflect (i) the improved quality and attractiveness of our properties as a result of our implementation of various asset enhancements (such as building upgrades and renovations) and asset management and brand building strategies, (ii) effective reviews of zoning and space planning to increase available rental space, (iii) refinement of the tenant-mix and (iv) efforts spent on marketing programmes.

Segment revenue from hotel, restaurant and catering operation

Segment revenue from hotel, restaurant and catering operation increased by 18.7% from HK$388.4 million in FY2011 to HK$461.2 million in FY2012. Segment revenue from Panda Hotel increased by 22.8% from HK$266.7 million in FY2011 to HK$327.6 million in FY2012, primarily due to an increase in the average occupancy rate and an increase in the average daily room rates at Panda Hotel. These increases resulted mainly from (i) a continued increase in the number of guests from China, (ii) an increase in the number of guests from Southeast Asia and (iii) our on-going efforts to renovate our guestrooms and upgrade the quality of our facilities and services. Segment revenue from restaurant and catering operation and others(1) increased by 9.8% from HK$121.7 million in FY2011 to HK$133.6 million in FY2012, primarily due to the continued growth in our catering business as a result of our flexible pricing strategy, specially tailor-made corporate and wedding banquet packages, consistent food and service standards and a diverse choice of venues for different categories of customers.

Segment revenue from property development

Segment revenue from property development decreased by 55.5% from HK$1,519.3 million in FY2011 to HK$676.7 million in FY2012, primarily due to a decrease in the number of units sold and recognised at Broadwood Twelve. During the period under review, 15 units were sold and recognised, compared to 36 units in FY2011. This was broadly in line with our expectations.

In order to reconcile total segment revenue to turnover under the relevant HKFRS accounting rules, total segment revenue is reduced by share of revenue of jointly controlled entities and sale of completed investment properties held for sale included in the segment revenue of property development. For FY2011 and FY2012, share of revenue of jointly controlled entities amounted to HK$7.4 million and HK$9.7 million, respectively. For FY2011 and FY2012, sale of completed investment properties held for sale included in the segment revenue of property development amounted to HK$1,519.3 million and HK$676.7 million, respectively.

Cost of sales and services

Our cost of sales and services increased by 7.5% from HK$448.6 million in FY2011 to HK$482.3 million in FY2012, primarily due to (i) an increase in business associated with our hotel, restaurant and catering operation, (ii) an increase in the number of staff to improve the facility and service quality of our investment properties and (iii) an increase in salaries. Our cost of sales and services as a percentage of turnover decreased from 42.5% in FY2011 to 40.1% in FY2012, primarily due to the fact that turnover increased at a higher rate than cost of sales and services.

Gross profit and gross margin

For the above reasons, our gross profit increased by 18.5% from HK$607.6 million in FY2011 to HK$720.2 million in FY2012. Our gross margin increased from 57.5% in FY2011 to 59.9% in FY2012, primarily due to the fact that our rental rates increased at a higher rate than cost of sales and services, some of which are fixed in nature and experienced less fluctuation.

Note:

(1) Excludes revenue from restaurant and catering operations at Panda Hotel.

Other income

Other income increased by 51.5% from HK$10.2 million in FY2011 and HK$15.5 million in FY2012, primarily due to a one-off design fee that we earned from the Remaining Group.

Selling and distribution costs

Selling and distribution costs decreased by 17.3% from HK$84.1 million in FY2011 to HK$69.5 million in FY2012. This mainly reflects a decrease in television advertising for units available for sale at Broadwood Twelve, as more units were sold during FY2011.

Administrative expenses

Administrative expenses increased by 17.5% from HK$158.3 million in FY2011 to HK$186.1 million in FY2012, primarily due to increases in the number of administrative staff and staff costs.

Gain on disposal of investment properties

Gain on disposal of investment properties decreased by 59.4% from HK$46.4 million in FY2011 to HK$18.8 million in FY2012, primarily due to the reduced number of units sold at Broadwood Twelve.

Fair value gain of investment properties under development

There was no fair value gain of investment properties under development during this period as a result of the construction of Broadwood Twelve being completed.

Fair value gain of completed investment properties

Fair value gain of completed investment properties decreased by 45.6% from HK$4,316.2 million in FY2011 to HK$2,348.4 million in FY2012, primarily due to the reduced rate at which property valuation grew in FY2012. Fair value gain of completed investment properties primarily reflects higher rental and occupancy rates as well as enhancements made to the properties.

Fair value gain of investment properties held for sale

Fair value gain of investment properties held for sale decreased from HK$199.5 million in FY2011 to nil in FY2012, primarily due to the fact that the luxury residential market remained relatively stable from FY2011 to FY2012, thereby resulting in no gain.

Finance costs

Finance costs decreased by 13.9% from HK$20.1 million in FY2011 to HK$17.3 million in FY2012, primarily due to reduced loan commitment fees and other related fees.

Share of profits (losses) of jointly controlled entities

Share of profits (losses) of jointly controlled entities increased by 18.3 times from HK$115,000 in FY2011 to HK$2.1 million in FY2012, primarily due to an increase in the profits of our jointly controlled entities, in particular, profits derived from Hong Kong Bowling City Limited.

Profit before taxation

Our profit before taxation decreased by 42.4% from HK$4,917.5 million in FY2011 to HK$2,832.1 million in FY2012, primarily due to a reduced fair value gain of completed investment properties.

Income tax expense

Our income tax expense decreased by 17.1% from HK$105.7 million in FY2011 to HK$87.6 million in FY2012, primarily due to a reduced taxable profit.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 43.0% from HK$4,811.8 million in FY2011 to HK$2,744.5 million in FY2012.

Our profit for the year excluding fair value gains after tax increased by 20.4% from HK$329.0 million in FY2011 to HK$396.1 million in FY2012.

FY2011 compared to FY2010

Turnover and segment revenue

Our turnover increased by 11.5% from HK$947.2 million in FY2010 to HK$1,056.2 million in FY2011, primarily reflecting an increase in segment revenue from property investment and hotel, restaurant and catering operation.

Segment revenue from property investment

Segment revenue from property investment increased by 7.6% from HK$627.5 million in FY2010 to HK$675.2 million in FY2011. This mainly reflects higher segment revenue from most of our properties, in particular our Hopewell Centre, KITEC properties and GardenEast (apartments), driven by increased average occupancy rates at a majority of our other investment properties and increased average rental rates at most of our investment properties. These increases primarily reflect (i) the improved quality and attractiveness of our properties as a result of our continuous asset enhancements, (ii) improved tenant mix and (iii) efforts spent on marketing programmes.

Segment revenue from hotel, restaurant and catering operation

Segment revenue from hotel, restaurant and catering operation increased by 18.8% from HK$326.9 million in FY2010 to HK$388.4 million in FY2011. Segment revenue from Panda Hotel increased by 30.1% from HK$205.0 million in FY2010 to HK$266.7 million in FY2011, primarily due to an increase in the average occupancy rate and an increase in the average daily room rates at Panda Hotel. These increases resulted mainly from (i) a continued increase in the number of guests from China, (ii) an increase in the number of guests from Southeast Asia and (iii) our on-going efforts to renovate our guestrooms and upgrade the quality of our facilities and services. Segment revenue from restaurant and catering operation and others(1) decreased by 0.2% from HK$121.9 million in FY2010 to HK$121.7 million in FY2011, primarily due to a decrease in turnover resulting from the closure of a restaurant as part of our business strategy. This decrease was offset by an increase in segment revenue from our catering business attributable to our flexible pricing strategy, specially tailor-made corporate and wedding banquet packages and the ability to cater for large functions and events.

Segment revenue from property development

Segment revenue from property development increased from nil in FY2010 to HK$1,519.3 million in FY2011, primarily due to the sale of our residential units at Broadwood Twelve.

In order to reconcile total segment revenue to turnover for FY2010 and FY2011 under the relevant HKFRS accounting rules, HK$7.2 million in share of revenue of jointly controlled entities was subtracted from total segment revenue for FY2010 and HK$7.4 million in share of revenue of jointly controlled

Note:

(1) Excludes revenue from restaurant and catering operations at Panda Hotel.

entities and HK$1,519.3 million in sale of completed investment properties held for sale included in the segment revenue of property development were subtracted from total segment revenue for FY2011.

Cost of sales and services

Our cost of sales and services increased by 7.1% from HK$419.0 million in FY2010 to HK$448.6 million in FY2011, primarily due to (i) an increase in business associated with our hotel, restaurant and catering operation; (ii) an increase in the number of staff to improve the facility and service quality of our investment properties; and (iii) an increase in salaries. Our cost of sales and services as a percentage of turnover decreased from 44.2% in FY2010 to 42.5% in FY2011, primarily due to the fact that turnover increased at a higher rate than cost of sales and services.

Gross profit and gross margin

For the above reasons, our gross profit increased by 15.0% from HK$528.2 million in FY2010 to HK$607.6 million in FY2011. Our gross margin increased from 55.8% in FY2010 to 57.5% in FY2011, primarily due to the fact that our rental rates increased at a higher rate than cost of sales and services, some of which are fixed in nature and experienced less fluctuation.

Other income

Other income decreased by 10.9% from HK$11.5 million in FY2010 to HK$10.2 million in FY2011, primarily due to the decrease in rental deposit forfeiture.

Selling and distribution costs

Selling and distribution costs increased by 42.1% from HK$59.2 million in FY2010 to HK$84.1 million in FY2011. This mainly reflects an increase in marketing expenses as a result of a new television marketing and advertising campaign for Broadwood Twelve, and to a lesser extent, an increase in commissions paid to agents and agencies for signing up new tenants.

Administrative expenses

Administrative expenses increased by 7.0% from HK$148.0 million in FY2010 to HK$158.3 million in FY2011, primarily due to increases in the number of administrative staff and staff costs.

Gain on disposal of investment properties

Gain on disposal of investment properties increased from nil in FY2010 to HK$46.4 million in FY2011, primarily due to the sale of our residential units at Broadwood Twelve during FY2011.

Fair value gain of investment properties under development

Fair value gain of investment properties under development decreased from HK$2,237.8 million in FY2010 to nil in FY2011. The initial gain recognised in FY2010 was the result of the reclassification of Broadwood Twelve, which was reclassified from properties under development to investment properties in accordance with Amendments to HKAS *40 Investment Property*. No such reclassification was made in FY2011. This gain represents gain arising from changes in the fair value of Broadwood Twelve up to completion of development.

Fair value gain of completed investment properties

Fair value gain of completed investment properties increased by 194.1% from HK$1,467.6 million in FY2010 to HK$4,316.2 million in FY2011, primarily due to higher rental and occupancy rates as well as enhancements made to the properties.

Fair value gain of investment properties held for sale

Fair value gain of investment properties held for sale increased by 66.2% from HK$120.0 million in FY2010 to HK$199.5 million in FY2011, primarily due to the increased rate at which property valuation grew in FY2011.

Finance costs

Finance costs remained relatively stable at HK$20.1 million in FY2010 and in FY2011.

Share of profits (losses) of jointly controlled entities

Share of profits (losses) of jointly controlled entities increased by 62.0% from HK$71,000 in FY2010 to HK$115,000 in FY2011, primarily due to the increase in profits of our jointly controlled entities, in particular, profits derived from Hong Kong Bowling City Limited.

Profit before taxation

Our profit before taxation increased by 18.8% from HK$4,137.8 million in FY2010 to HK$4,917.5 million in FY2011, primarily due to an increase in fair value gain of completed investment properties.

Income tax expense

Our income tax expense increased by 40.7% from HK$75.1 million in FY2010 to HK$105.7 million in FY2011, primarily due to an increase in taxable profit.

Profit for the year

As a result of the foregoing, our profit for the year increased by 18.4% from HK$4,062.7 million in FY2010 to HK$4,811.8 million in FY2011.

Our profit for the year excluding fair value gains after tax increased by 28.0% from HK$257.1 million in FY2010 to HK$329.0 million in FY2011.

CERTAIN ITEMS FROM OUR COMBINED STATEMENTS OF FINANCIAL POSITION

Completed investment properties

Our completed investment properties consist of completed investment properties, land and buildings that are being held for future use as investment properties and investment properties that are being redeveloped for continued use as investment properties. Our completed investment properties (excluding assets classified as held for sale) were valued at HK$10,807.2 million, HK$15,290.7 million, HK$17,862.3 million and HK$25,729.4 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively.

The following table sets out the breakdown of the value of our completed investment properties by project as at each date indicated below:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
	HK$ Million			
Completed Investment properties (stated at fair value)				
Hopewell Centre	4,607.7	6,783.7	8,365.8	11,839.1
KITEC (office, E-Max and conference and exhibition)	3,769.3	5,297.2	5,775.0	8,564.7
GardenEast (apartments)	968.0	1,256.0	1,438.0	1,862.0
QRE Plaza	563.4	761.7	906.0	1,143.0
Panda Place	641.0	873.0	982.0	1,790.0
Wu Chung House[(1)]	257.8	319.1	395.5	530.6
Total value of completed investment properties	**10,807.2**	**15,290.7**	**17,862.3**	**25,729.4**
Assets classified as held for sale	3,050.0	1,835.0	1,202.2	982.3
Total value of completed investment properties (including assets classified as held for sale)	**13,857.2**	**17,125.7**	**19,064.5**	**26,711.7**

Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

The increase in total value of completed investment properties from 30 June 2010 to 31 December 2012 was primarily due to an increase in the market value of the properties, resulting from improved rental performance and occupancy rates, as well as asset enhancements made throughout this period. For a detailed explanation of the valuation methodology utilised, please see "*Financial Information — Critical Accounting Policies — Investment properties*".

The following table sets out all fair value gains of completed investment properties for the periods indicated:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
	HK$ Million				
Hopewell Centre	670.0	2,136.6	1,425.6	727.3	3,469.8
KITEC (office, E-Max and conference and exhibition)	528.3	1,406.3	461.0	200.4	2,788.1
GardenEast (apartments)	124.4	287.9	181.3	92.0	423.9
QRE Plaza	56.3	196.5	105.4	66.7	237.0
Wu Chung House[(1)]	9.8	61.3	76.4	52.7	135.1
Panda Place	78.8	227.6	98.7	54.0	798.3
Total	**1,467.6**	**4,316.2**	**2,348.4**	**1,193.1**	**7,852.2**

Note:

(1) Our interests in Wu Chung House comprise six retail shops located on the ground and second floors and 80 car parking spaces. Our six retail shops have a total GRA of approximately 17,738 sq. ft.

We have devoted significant effort to increase the value of our complementary cluster of properties located in Wan Chai. These properties have benefited from the decentralisation trend which has pushed certain cost sensitive tenants out of core business locations in Hong Kong. Additionally, we introduced "The East", which is the brand of a dining and entertainment community that occupies these properties. At Hopewell Centre, refurbishments were made to the observation lifts with cylindrical glass curtains, the common areas were upgraded and modernised, tenant areas were reconfigured and other value adding efforts were made. Further, the improved connectivity of Hopewell Centre with the surrounding areas, including the Wan Chai MTR station and the 200 Queen's Road East Project, also resulted in an increase in market values. GardenEast (apartments) increased in value primarily because of its prime location, its reputation for quality service and its ability to attract repeat guests. QRE Plaza saw an increase in its value due to asset enhancements made as well as its increased amount of traffic and number of renowned retailers, while our interests in Wu Chung House benefited from the unveiling of an additional well-known luxury automotive manufacturer, which augmented the car showroom cluster at "The East".

With regard to KITEC and its increase in valuation throughout the Track Record Period, ongoing promotions and renovations were carried out. A comprehensive renovation programme for upgrading the facilities, lobbies and common areas was implemented. The popularity of our Star Hall venue also helped to increase KITEC's value.

The value of Panda Place increased during the Track Record Period primarily due to renovations and enhancements made during that period.

The fair value gain of completed investment properties in 1HFY2012 and 1HFY2013 amounted to HK$1,193.1 million and HK$7,852.2 million, respectively. The fair value gain in 1HFY2013 reflected: (i) an increase in the fair value of Hopewell Centre of HK$3,469.8 million, which was the result of an increase in property value surrounding Hopewell Centre II after the beginning of preparation work for construction of Hopewell Centre II, an improved rental performance, improved connectivity with the surrounding areas as well as positive rental reversion resulting from the decentralisation trend; (ii) an increase in the fair value of KITEC of HK$2,788.1 million, which resulted from an improved rental performance, a land sale by the Government in the surrounding Kowloon Bay area in November 2012 at the price of HK$5,460 per sq. ft., the Government's "Energizing Kowloon East" initiatives and CBD2 plans as well as positive rental reversion resulting from the decentralisation trend; and (iii) an increase in the fair value of Panda Place of HK$798.3 million which was driven by a 65% increase in the FY2014 full year rental income[(1)] based on rental contracts on hand as compared to FY2012 rental income and the completion of an extensive renovation programme. Furthermore, the fair value gain in 1HFY2013 was also positively impacted by the general increase in the market rates of areas in which our properties are located.

Property, plant and equipment

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had property, plant and equipment of HK$688.6 million, HK$666.5 million, HK$612.4 million and HK$594.7 million, respectively. The overall decrease from 30 June 2010 to 30 June 2012 was primarily the result of depreciation, as well as a transfer of property from property, plant and equipment (HK$20.4 million in 2011 and HK$23.9 million in 2012) to investment property as a result of leasing out some of our previously own use space to new tenants. The further decrease from 30 June 2012 to 31 December 2012 was primarily the result of depreciation.

Note:

(1) The calculation is based on base rent and excludes turnover rent.

The following table sets out the carrying value of our property, plant and equipment at cost as at each date indicated below:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Panda Hotel property	312.0	302.3	292.6	287.8
Other properties for own use				
Hopewell Centre headquarter office	150.3	147.0	135.6	131.9
Self-operated restaurants and others	110.7	87.3	66.6	65.6
Other assets	115.6	129.9	117.6	109.4
Total property, plant and equipment	**688.6**	**666.5**	**612.4**	**594.7**

The following table sets out the breakdown of the value of the hotel portions of our property, plant and equipment at fair value as at each date indicated below.

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Panda Hotel (at fair value)(1)	1,124.0	1,544.0	1,990.0	3,270.0
Other properties for own use at fair value	419.6	533.4	499.2	709.2
Total	**1,543.6**	**2,077.4**	**2,489.2**	**3,979.2**

Note:

(1) For our hotel, our independent valuer has valued it assuming all relevant statutory and/or mandatory permissions, permits, approvals and licences which are necessary for hotel operation in Hong Kong are properly in place and by making reference to comparable sales transactions as available in the market.

Properties for development

The following table sets out the value of our properties for development as at each date indicated below:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Total value of properties for development	796.3	864.2	964.0	571.9

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had properties for development of HK$796.3 million, HK$864.2 million, HK$964.0 million and HK$571.9 million, respectively. Properties for development primarily comprises properties acquired for future development of which the development plan is yet to be fixed. The development costs cannot be determined at the end of the reporting period. Accordingly, the fair value cannot be reliably measured and, as such, the properties are measured at cost less recognised impairment loss. The increase from 30 June 2010 to 30 June 2012 was primarily the result of an increase in the number of Amalgamation Properties. The decrease from 30 June 2012 to 31 December 2012 was primarily due to the transfer of Hopewell Centre II at cost (HK$500.5 million) to properties under development upon the commencement of the project during 1HFY2013.

Properties under development

The following table sets out the value of our properties under development as at each date indicated below:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Commercial portion of Hopewell Centre II (investment properties)	—	—	—	4,270.0
Hotel portion of Hopewell Centre II (property, plant and equipment)	—	—	—	2,117.4
Total value of properties under development	**—**	**—**	**—**	**6,387.4**

As at 31 December 2012, we had properties under development of HK$6,387.4 million. Properties under development primarily comprises HK$4,270.0 million of the commercial portion of Hopewell Centre II and HK$2,117.4 million of the hotel portion of Hopewell Centre II. The commercial portion of Hopewell Centre II is accounted for as investment property and is stated at fair value. The hotel portion of Hopewell Centre II is accounted for as property, plant and equipment and is stated at cost.

Interests in jointly controlled entities

Our interests in jointly controlled entities (principally 50.0% of the issued share capital of Grand Site and Hong Kong Bowling City Limited, respectively) were HK$11.8 million, HK$11.9 million, HK$14.0 million and HK$10.9 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. The increase from 30 June 2010 to 30 June 2012 was primarily due to an increase in profits derived from jointly controlled entities. The decrease from 30 June 2012 to 31 December 2012 was primarily due to marketing costs incurred in connection with the pre-sale of residential units at the 200 Queen's Road East Project which cannot be capitalised. Our share of assets of the jointly controlled entities is accounted for using the equity method.

Amount due from a jointly controlled entity

As at 30 June 2010, 2011 and 2012 and 31 December 2012, our amount due from a jointly controlled entity was HK$1,670.4 million, HK$1,753.2 million, HK$2,116.8 million and HK$2,211.1 million, respectively. The amount due from a jointly controlled entity represents advances to Grand Site, a joint venture company holding the 200 Queen's Road East Project. The balance is subordinated and shall not be repaid until all amounts owing under the banking facilities that have been granted to Grand Site have been paid. The balance is unsecured, interest-free and has no fixed repayment terms. The increase from 30 June 2010 to 31 December 2012 is primarily the result of additional advances by us to Grand Site.

Amounts due from the Remaining Group

The total amounts due from the Remaining Group were HK$196.3 million, HK$1,716.6 million, HK$1,315.9 million and nil as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. Prior to the Listing, we centralised fund and cash management at Hopewell. Part of this management included advances from Hopewell to finance our funding needs (such as amounts due to the Remaining Group) and transfers of our income from operations to Hopewell in the form of amounts due from the Remaining Group. The amounts due from the Remaining Group are unsecured, interest-free and repayable within one year. The increase in the amounts due from the Remaining Group from 30 June 2010 to 30 June 2011 was primarily due to an increase in the amount of cash received by Hopewell as a result of the sales of residential units of Broadwood Twelve during FY2011. We set off certain amounts due from the Remaining Group against a declared dividend in FY2012, resulting in a decrease in amounts due from the Remaining Group from 30 June 2011 to 30 June 2012. All amounts due from the Remaining Group were settled prior to 31 December 2012.

Trade receivables

The table below sets out a summary of our (i) trade receivables and other receivables and (ii) average trade and other receivables turnover days as at the dates indicated:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
	HK$ Million			
Total trade receivables	**21.6**	**18.0**	**19.6**	**26.5**

	FY			1HFY
	2010	2011	2012	2013
	Days			
Trade receivables turnover days(1)	**7**	**7**	**6**	**7**

Note:

(1) Calculated by dividing average trade receivables by turnover and multiplying the resulting value by the number of days in the period. Average trade receivables equals trade receivables at the beginning of the period plus trade receivables as at the end of the period, divided by two.

We had trade receivables of HK$21.6 million, HK$18.0 million, HK$19.6 million and HK$26.5 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. Our trade receivables mainly arose from rental income derived from the completed investment properties that we leased and receivables related to corporate client services and events at our hotel. As at 30 June 2011, the decrease in trade receivables from 30 June 2010 levels was due to increased efficiency in our collection efforts. The increase from 30 June 2011 to 31 December 2012, was primarily the result of an increase in our turnover. Other than rental receivables, which are payable upon presentation of invoices, we allow a credit period of 15 to 60 days to our trade customers. Included in our trade receivables balance are debtors with carrying amounts of HK$8.6 million, HK$12.7 million, HK$8.7 million and HK$11.0 million which are past due as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively, and for which we have not provided for impairment loss. We do not hold any collateral over these balances.

Our trade receivables turnover days remained stable at 7 days in FY2010 and FY2011, 6 days in FY2012 and 7 days in 1HFY2013.

The table below sets out an ageing analysis of our trade receivables as at the periods indicated which are past due but not impaired:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
	HK$ Million			
0 - 30 days	6.7	10.7	7.5	7.4
31 - 60 days	1.3	1.3	1.2	2.5
Over 60 days	0.6	0.7	—	1.1
Total	**8.6**	**12.7**	**8.7**	**11.0**

As at 30 April 2013, approximately HK$25.8 million or 97.3% of our trade receivables outstanding as at 31 December 2012 were settled.

Deposits and prepayments

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had deposits and prepayments of HK$12.6 million, HK$21.2 million, HK$24.4 million and HK$30.7 million, respectively. Our deposits and prepayments mainly represent utilities deposits and other types of deposits and prepayments in connection with our properties. The increase from 30 June 2010 to 30 June 2012 was primarily due to an increase in the amount of deposits paid for the purchases of Amalgamation Properties. The increase from 30 June 2012 to 31 December 2012 was primarily due to deposits and prepayments in connection with our renovations at Panda Hotel.

Assets classified as held for sale

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had assets classified as held for sale of HK$3,050.0 million, HK$1,835.0 million, HK$1,202.2 million and HK$982.3 million, respectively. These assets consist primarily of residential units of Broadwood Twelve that were available for sale. The decrease from 30 June 2010 to 31 December 2012 was primarily the result of a reduced number of units available for sale at Broadwood Twelve.

Deferred tax liabilities

As at 30 June 2010, 2011 and 2012 and 31 December 2012, we had deferred tax liabilities of HK$99.7 million, HK$153.4 million, HK$174.1 million and HK$188.5 million, respectively. The movement of deferred tax between the reporting periods was primarily a result of fair value gains and losses on our investment properties held for sale, and to a lesser extent, movements in accelerated tax depreciation on property, plant and equipment and tax losses.

Trade and other payables

The table below sets out our (i) trade payables and other payables and (ii) average trade and other payables turnover days as at the dates indicated:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Total trade and other payables	**234.6**	**227.8**	**201.5**	**177.2**

	FY			1HFY
	2010	2011	2012	2013
			Days	
Trade and other payables turnover days[(1)]	**81**	**93**	**83**	**72**

Note:

(1) Calculated by dividing average trade and other payables by total related expenditure and multiplying the resulting value by the number of days in the period. Average trade and other payables equals trade and other payables at the beginning of the period plus trade and other payables as at the end of the period, divided by two. Total related expenditure comprises cost of sales and services, selling and distribution costs, administrative expenses, additions to investment properties, property, plant and equipment and properties for development.

The following sets out an analysis of trade payables outstanding by age, presented based on the invoice date:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
		HK$ Million		
Payables aged				
0 - 30 days	78.4	79.3	66.4	39.2
31 - 60 days	0.9	6.5	3.2	9.3
Over 60 days	6.6	16.9	22.7	36.8
Total trade payables	85.9	102.7	92.3	85.3
Retentions payable	15.5	12.1	5.0	4.8
Accrued costs for properties	113.1	94.7	85.1	58.4
Accrued staff costs	20.1	18.3	19.1	28.7
Total trade and other payables	**234.6**	**227.8**	**201.5**	**177.2**

We had trade and other payables amounting to HK$234.6 million, HK$227.8 million, HK$201.5 million and HK$177.2 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. Our trade and other payables primarily consist of trade payables, retentions payable, accrued costs for properties and accrued staff costs. The decrease from 30 June 2010 to 30 June 2011 was primarily due to a decrease in accrued costs for properties as a result of Broadwood Twelve being completed. The further decrease from 30 June 2011 to 30 June 2012 was primarily due to a decrease in total trade payables and accrued costs for properties as a result of our settlement after the completion of Broadwood Twelve. The further decrease from 30 June 2012 to 31 December 2012 was primarily due to the decrease in trade payables and accrued costs for properties at Hopewell Centre and Panda Hotel. This decrease was primarily the result of our settlement of these payables.

Our trade and other payables turnover days increased from 81 days in FY2010 to 93 days in FY2011, primarily due to the decrease in the amount of total expenditure in connection with our investment properties and properties under development. Our trade and other payables turnover days decreased from 93 days in FY2011 to 83 days in FY2012, primarily due to our settlement of retention and trade payables in connection with Broadwood Twelve after its completion. Our trade and other payables turnover days further decreased to 72 days in 1HFY2013, primarily due to our settlement of accrued costs for properties.

As at 30 April 2013, approximately HK$49.5 million or 58.1% of our trade payables outstanding as at 31 December 2012 were settled.

The Directors have confirmed that the Group had no material defaults with regard to the payment of trade and non-trade payables during the Track Record Period.

Rental and other deposits

As at 30 June 2010, 2011 and 2012 and 31 December 2012, our total rental and other deposits were HK$157.5 million, HK$199.8 million, HK$216.3 million and HK$217.5 million, respectively. The increase from 30 June 2010 to 31 December 2012 was the result of an increase in rental rates, occupancy rates and other deposits received from our tenants and customers.

Amounts due to the Remaining Group

As at 30 June 2010, 2011 and 2012 and 31 December 2012, the amounts due to the Remaining Group were HK$10,808.2 million, HK$10,491.3 million, HK$9,962.9 million and HK$10,606.0 million, respectively. These amounts represent advances from Hopewell, due to the fact that we centralised fund and cash management at Hopewell prior to the Listing. These advances were provided to finance the development of our investment properties and properties under development and such advances were interest-free. All of the amounts due to the Remaining Group will be capitalised prior to the Listing. The amounts due to the Remaining Group included in non-current liabilities are unsecured, interest-free and repayable in June 2013, except for an amount of HK$1,000.0 million as at 30 June 2010, which was repayable in June 2012. The amounts due to the Remaining Group included in current liabilities are unsecured, interest-free and repayable on demand, except for the amount of HK$1,000.0 million, HK$862.0 million and HK$399.0 million as at 30 June 2011, 30 June 2012 and 31 December 2012, respectively, which are repayable within one year.

Amount due to a jointly controlled entity

As at 30 June 2010, 2011 and 2012 and 31 December 2012, the total amount due to a jointly controlled entity was HK$4.7 million, HK$6.8 million, HK$10.1 million and HK$11.9 million, respectively. The amount due to a jointly controlled entity primarily consists of advances from the jointly controlled entity, which typically would be offset by dividends from the jointly controlled entity. The increase from 30 June 2010 to 31 December 2012 was primarily due to an increase in profits of the jointly controlled entity.

Tax liabilities

The total amount of tax liabilities was HK$29.2 million, HK$49.6 million, HK$92.3 million and HK$47.8 million, as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. The increase from 30 June 2010 to 30 June 2012 primarily reflected an increase in the amount of our profits that were subject to current tax. The decrease from 30 June 2012 to 31 December 2012 was primarily due to the fact that we made a tax payment in November 2012, thereby reducing our tax liabilities (as compared to our tax liabilities as at 30 June 2012).

NET CURRENT LIABILITIES

The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 30 June			As at 31 December	As at 30 April
	2010	2011	2012	2012	2013
			HK$ Million		
Current Assets					
Inventories	5.5	6.8	7.2	9.0	8.1
Trade receivables	21.6	18.0	19.6	26.5	26.4
Deposits and prepayments	12.6	21.2	24.4	30.7	32.3
Bank balances and cash	40.9	44.2	14.5	15.3	21.8
Assets classified as held for sale	3,050.0	1,835.0	1,202.2	982.3	852.3
Subtotal	3,130.6	1,925.2	1,267.9	1,063.8	940.9
Amounts due from the Remaining Group	196.3	1,716.6	1,315.9	—	—
Total Current Assets	3,326.9	3,641.8	2,583.8	1,063.8	940.9
Current Liabilities					
Trade and other payables	234.6	227.8	201.5	177.2	167.5
Rental and other deposits	157.5	199.8	216.3	217.5	222.9
Amount due to a jointly controlled entity	4.7	6.8	10.1	11.9	—
Tax liabilities	29.2	49.6	92.3	47.8	70.7
Liabilities associated with assets classified as held for sale	23.6	28.2	7.2	2.0	19.0
Subtotal	449.6	512.2	527.4	456.4	480.1
Amounts due to the Remaining Group	8,946.4	9,629.5	9,962.9	10,606.0	10,384.5
Total Current Liabilities	**9,396.0**	**10,141.7**	**10,490.3**	**11,062.4**	**10,864.6**
Net Current Liabilities	**6,069.1**	**6,499.9**	**7,906.5**	**9,998.6**	**9,923.7**

We recorded net current liabilities of HK$6,069.1 million, HK$6,499.9 million, HK$7,906.5 million and HK$9,998.6 million as at 30 June 2010, 2011 and 2012 and 31 December 2012, respectively. We had net current liabilities during the Track Record Period primarily due to an increase in the amounts due to the Remaining Group which mainly represent advances from Hopewell. In addition, the increase in net current liabilities from 30 June 2012 to 31 December 2012 was due to an increase in our amounts due to the Remaining Group (net of a portion set off against certain amounts due from the Remaining Group over the same period), primarily as a result of advances from Hopewell for the payment of the land premium in connection with Hopewell Centre II. Prior to the Listing, we centralised fund and cash management at Hopewell. Part of this management included advances from Hopewell to finance our funding needs (such as amounts due to the Remaining Group). We mainly utilised amounts due to the Remaining Group (principally short-term liabilities) to fund the development of our investment properties and properties under development, both of which are accounted for as non-current assets. As a result of the combined effect of the above, we had significant amounts of net current liabilities during the Track Record Period.

As at 30 April 2013, our net current liabilities were HK$9,923.7 million. We expect all of the amounts due to the Remaining Group to be capitalised prior to the Listing, thereby significantly reducing our current liabilities. We do not expect to remain at a net current liabilities position following the Listing.

INDEBTEDNESS

Borrowings

The table below sets out our loans and borrowings as at the dates indicated:

	As at 30 June			As at 31 December	As at 30 April
	2010	2011	2012	2012	2013
			HK$ Million		
Total bank borrowings, unsecured	**—**	**580.0**	**1,380.0**	**3,700.0**	**3,700.0**

As at 30 June 2010, 2011 and 2012 and 31 December 2012, our total unsecured bank borrowings, representing bank borrowings through the Remaining Group, were nil, HK$580.0 million, HK$1,380.0 million and HK$3,700.0 million, respectively. The increase from 30 June 2010 to 31 December 2012 was primarily due to the increased funding needed to finance the development of our investment properties and properties under development. During FY2011, FY2012 and 1HFY2013, our bank borrowings carried floating interest rates of HIBOR plus 0.32%. As at 30 June 2011, 30 June 2012 and 31 December 2012, our bank borrowings carried an interest rate of 0.52%, 0.62% and 0.60% per annum, respectively. All of our loans are due for settlement after one year but not exceeding five years.

As at 30 April 2013, being the latest practicable date for the purpose of the indebtedness statements, we had (i) unsecured and non-guaranteed amounts due to the Remaining Group of approximately HK$10,384.5 million; and (ii) outstanding unsecured bank borrowings through the Remaining Group of HK$3,700.0 million. As at the same date, we had no banking facilities. We obtained the Refinancing Facility on 8 May 2013 and have utilised HK$3,700.0 million of the Refinancing Facility for the purposes of repaying the Outstanding Borrowings in full.

As at the Latest Practicable Date, we had banking facilities of HK$4,000.0 million, of which approximately HK$300.0 million had not been utilised.

The table below sets out an ageing analysis of our borrowings as of the periods indicated:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Carrying amount repayable:				
Within one year	—	—	—	—
In the second to fifth years inclusive	—	580.0	1,380.0	3,700.0
Total amounts due for settlement after one year	**—**	**580.0**	**1,380.0**	**3,700.0**

The following is a general summary of the material covenants and undertakings and material events of default of the bank borrowings obtained by the Remaining Group which we utilised previously:

- The borrower cannot sell, transfer, lease out or otherwise dispose of all or a material part of its assets.
- The borrower cannot change its business.
- Material events of default include: (a) disposal of all or a material part of its assets and (b) change of business (the Group, taken as a whole, changes the scope of its business having a material adverse effect on the guarantor (Hopewell)).
- The guarantor (Hopewell) cannot cease to be the beneficial owner, of (i) 100% of the issued share capital of the borrower; or (ii) at least 51% of the issued share capital of Hopewell Highway.

As part of our Reorganisation, we have restructured our bank financing arrangements. As a result, the above covenants are no longer applicable.

As at the Latest Practicable Date, the Group's aggregate borrowings was HK$3,700.0 million. In preparation for the Listing, the Company has arranged the Refinancing Facility from Bank of China (Hong Kong) Limited (as an agent on behalf of a syndicate of lenders) to finance the repayment of the Outstanding Borrowings. The Refinancing Facility consists of three tranches. The Refinancing Facility was borrowed by a wholly-owned subsidiary of the Company and is guaranteed by the Company and Hopewell. The guarantee given by Hopewell will be released and discharged upon Listing, in accordance with the terms of such guarantee. A summary of the terms of the Refinancing Facility is set out below:

- Principal amount: HK$4,000.0 million
- Interest rate: tranche A1 and A2: The sum of interest margin (1.12% per annum) and HIBOR; and tranche B: The sum of interest margin (0.88% per annum) and HIBOR.
- Maturity date: tranche A1 and A2: 2 years from the date of the facility agreement; and tranche B: 6 months from the date of the facility agreement.
- All amounts borrowed under the Refinancing Facility shall first be applied towards repaying in full (together with other financial resources of the Group) the Outstanding Borrowings and then towards financing the general working capital requirements of the Parent Group, the Group (before Listing) and the Group (on or after Listing).

The following is a general summary of the material covenants and undertakings and material events of default of the Refinancing Facility:

- On and after completion of the Listing, the Company shall maintain a Consolidated Tangible Net Worth of not less than HK$10.0 billion.
- On and after completion of the Listing, the Company shall maintain a Consolidated Total Borrowings not in excess of 150% of its Consolidated Tangible Net Worth.
- The Group shall not transfer or otherwise dispose of Hopewell Centre, KITEC or Panda Hotel.
- On and after completion of the Listing, the Company shall be at least 51% directly or indirectly owned by Hopewell.
- The borrower of the Refinancing Facility shall confirm that the aggregate open market value of Hopewell Centre, KITEC and Panda Hotel is not less than the amount as specified in the facility agreement.

The Directors have confirmed that the Group had no material defaults with regard to bank borrowings and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

CASH FLOW AND LIQUIDITY

Overview

For FY2010, FY2011, FY2012, 1HFY2012 and 1HFY2013, the principal sources of funding for our investments and operations were cash from our operating activities, financing from the Remaining Group and bank borrowings.

The following table sets out a summary of our net cash flow for the periods indicated:

	FY			1HFY	
	2010	2011	2012	2012 (unaudited)	2013
			HK$ Million		
Net cash from operating activities	414.0	447.9	534.2	248.7	237.9
Net cash used in investing activities	(2,040.0)	(383.1)	(643.6)	(367.6)	(3,973.8)
Net cash from (used in) financing activities	1,627.5	(61.5)	79.7	135.5	3,736.7
Net increase (decrease) in cash and cash equivalents	1.5	3.3	(29.7)	16.6	0.8
Cash and cash equivalents at the end of the year	**40.9**	**44.2**	**14.5**	**60.8**	**15.3**

Net cash from operating activities

Our cash from operating activities consists primarily of profit before taxation adjusted by fair value gain of completed investment properties, fair value gain of investment properties under development and fair value gain of investment properties held for sale.

Our net cash from operating activities was HK$237.9 million in 1HFY2013, primarily reflecting profit before taxation of HK$10,289.7 million and non-cash adjustments for fair value gain of completed investment properties of HK$7,852.2 million and a fair value gain of investment properties under development of HK$2,153.0 million. Fair value gain at our completed investment properties were primarily attributable to the increased rental rates at most of our completed investment properties. Specifically, Hopewell Centre experienced a fair value gain of HK$3,469.8 million, which primarily resulted from an increase in property value surrounding Hopewell Centre II after the beginning of preparation work for construction of Hopewell Centre II. KITEC experienced a fair value gain of HK$2,788.1 million, which primarily resulted from a land sale by the Government in the surrounding Kowloon Bay area at the price of HK$5,460 per sq. ft. in November 2012. Fair value gain of investment properties under development were primarily attributable to a land conversion gain at the commercial portion of Hopewell Centre II. For more information on our fair value gain of completed investment properties, see "— *Significant Factors Affecting our Results of Operations and Financial Condition — Changes in fair value of investment properties and recognition of fair value gains or losses under our management and accounting policies.*"

Our net cash from operating activities was HK$248.7 million in 1HFY2012, primarily reflecting profit before taxation of HK$1,443.0 million and a non-cash adjustment for fair value gain of completed investment properties of HK$1,193.1 million, which was primarily attributable to higher occupancy and rental rates, coupled with enhancements made to the properties.

Our net cash from operating activities was HK$534.2 million in FY2012, primarily reflecting profits before taxation of HK$2,832.1 million and a non-cash adjustment for fair value gain of completed investment properties of HK$2,348.4 million, which was primarily attributable to the positive fair value gain of our completed investment properties as a result of higher rental and occupancy rates as well as enhancements made to the properties.

Our net cash from operating activities was HK$447.9 million in FY2011, primarily reflecting profits before taxation of HK$4,917.5 million and a non-cash adjustment for fair value gain of completed investment properties of HK$4,316.2 million, due to reasons similar to the previous year.

Our net cash from operating activities was HK$414.0 million in FY2010, primarily reflecting profits before taxation of HK$4,137.8 million and non-cash adjustments for (i) fair value gain of completed investment properties of HK$1,467.6 million due to reasons similar to the previous year and (ii) fair value gain of investment properties under development of HK$2,237.8 million due to an initial gain recognised as a result of the reclassification of Broadwood Twelve from properties under development to investment properties in accordance with Amendments to HKAS 40 *Investment Property*.

Net cash used in investing activities

Our cash inflow from investing activities primarily consists of proceeds and deposits received from disposal of investment properties (net), as well as proceeds from disposal of property, plant and equipment. Our cash outflow from investing activities primarily consists of advances to the Remaining Group, advances to jointly controlled entities, additions to investment properties and additions to properties for/under development. Advances to the Remaining Group from our subsidiaries which have net amounts receivable from the Remaining Group are classified under investing activity.

In 1HFY2013, our net cash used in investing activities was HK$3,973.8 million, primarily reflecting additions to properties for/under development of HK$3,838.3 million and advances to the Remaining Group of HK$195.1 million, offset in part by HK$221.2 million in proceeds and deposits received from disposal of investment properties (net). The additions to properties for/under development primarily reflect the land premium that we paid for Hopewell Centre II. Advances to the Remaining Group were primarily due to the transfer of funds in connection with our centralised fund and cash management at Hopewell.

In 1HFY2012, our net cash used in investing activities was HK$367.6 million, primarily reflecting advances to the Remaining Group of HK$364.3 million, as well as advances to jointly controlled entities totalling HK$304.2 million. Such amounts were offset in part by HK$378.1 million in proceeds and deposits received from disposal of investment properties (net), namely residential units of Broadwood Twelve.

In FY2012, our net cash used in investing activities was HK$643.6 million, primarily reflecting advances to the Remaining Group of HK$667.6 million and HK$363.6 million in advances to jointly controlled entities, offset in part by HK$618.0 million in proceeds and deposits received from disposal of investment properties (net), namely residential units of Broadwood Twelve.

In FY2011, our net cash used in investing activities was HK$383.1 million, primarily reflecting advances to the Remaining Group of HK$1,522.7 million, together with HK$144.6 million in additions to investment properties, including construction costs of Broadwood Twelve and enhancements to Hopewell Centre and KITEC. These amounts were offset in part by HK$1,479.2 million in proceeds and deposits received from disposal of investment properties (net), namely the residential units of Broadwood Twelve.

In FY2010, our net cash used in investing activities was HK$2,040.0 million, primarily reflecting HK$1,645.4 million in advances to jointly controlled entities, which was used to finance the 200 Queen's Road East Project and the associated payment to the URA, HK$244.0 million in additions to investment properties, such as construction costs of Broadwood Twelve, and HK$102.7 million in advances to the Remaining Group.

Net cash from (used in) financing activities

Our cash inflow from financing activities primarily consists of new bank borrowings raised and advances from the Remaining Group. Our cash outflow from financing activities primarily consists of repayments to the Remaining Group. Repayments to the Remaining Group from our subsidiaries which have net amounts payable to the Remaining Group are classified under financing activity.

In 1HFY2013, our net cash from financing activities was HK$3,736.7 million. The net cash inflow primarily consisted of advances from the Remaining Group of HK$3,933.1 million, coupled with new bank borrowings raised of HK$2,320.0 million, offset in part by repayments to the Remaining Group totalling HK$2,506.8 million.

In 1HFY2012, our net cash from financing activities was HK$135.5 million. The net cash inflow primarily consisted of HK$800.0 million in new bank borrowings raised, together with HK$328.4 million in advances from the Remaining Group, offset in part by HK$978.9 million in repayments to the Remaining Group.

In FY2012, our net cash from financing activities was HK$79.7 million. The net cash inflow primarily consisted of HK$800.0 million in new bank borrowings raised and HK$455.1 million in advances from the Remaining Group, offset in part by HK$1,161.5 million in repayments to the Remaining Group.

In FY2011, our net cash used in financing activities was HK$61.5 million. The net cash outflow primarily consisted of HK$778.3 million in repayments to the Remaining Group, offset in part by HK$580.0 million in new bank borrowings raised and HK$154.6 million in advances from the Remaining Group.

In FY2010, our net cash from financing activities was HK$1,627.5 million. The net cash inflow primarily consisted of HK$1,849.8 million in advances from the Remaining Group, offset in part by HK$204.5 million in repayments to the Remaining Group.

Working capital sufficiency

The Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available bank borrowings and cash flows from our operating activities.

CAPITAL RISK MANAGEMENT, CAPITAL EXPENDITURES AND COMMITMENTS

Capital risk management

We manage our capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our overall strategy remained unchanged throughout the Track Record Period. Our capital structure consists of bank borrowings and equity attributable to equity holders of the Company, comprising share capital, retained profits and other reserves.

The Directors review the capital structure periodically. As part of this review, the Directors assess the budgets of major projects, taking into account the provision of funding. Based on the operating budgets, the Directors consider the pros and cons of each class of capital and balance the overall capital structure through the payment of dividends, new share issues as well as the issuance of debts.

Capital expenditures

Our capital expenditures amounted to HK$315.6 million, HK$257.0 million and HK$230.5 million for FY2010, FY2011 and FY2012, respectively. For 1HFY2012 and 1HFY2013, our capital expenditures were HK$77.3 million and HK$3,872.5 million, respectively. Historically, our capital expenditures consisted principally of additions to investment properties, additions to property, plant and equipment and additions to property under development. During the Track Record Period, we incurred a significant portion of our capital expenditures in connection with the construction of Broadwood Twelve and the acquisitions of Amalgamation Properties. In 1HFY2013, we incurred HK$3,700.0 million in bank borrowings for the payment of the land premium in connection with Hopewell Centre II.

We financed our capital expenditure requirements mainly through our operating income, amounts due to the Remaining Group (advances from Hopewell) and bank borrowings. In the future, we expect to finance our projects principally through net proceeds from the Global Offering, our internal resources and/or external bank borrowings.

Project commitments/estimated investment costs

Hopewell Centre II

Hopewell Centre II is one of our new major property projects. On 26 June 2012, we received a land premium offer for Hopewell Centre II and accepted such offer on 25 July 2012. The land premium of approximately HK$3,726 million was paid by us to the Hong Kong Government in October 2012. Under the current plan, the estimated total investment cost (including land premium) for the development will be approximately HK$9,000.0 million. We estimated that the project will be completed in 2018. As at the latest available date (being 31 March 2013 for the purpose of this statement), the committed amount(1) for this project was HK$4,311.7 million, out of which HK$4,235.1 million has been incurred by a subsidiary of the Group. Based on the current development plans, the Company estimated that it will incur approximately HK$40.0 million, HK$200.0 million, HK$580.0 million, HK$1,000.0 million, HK$2,000.0 million, HK$1,000.0 million and HK$90.0 million of development costs during 2HFY2013, FY2014, FY2015, FY2016, FY2017, FY2018 and FY2019 and beyond, respectively. Such estimated schedule of payment will be subject to the construction progress of the project. We expect to fund the project development costs through net proceeds from the Global Offering, our internal resources and/or external bank borrowings.

200 Queen's Road East Project

Along with a joint venture partner, we jointly hold and are developing the 200 Queen's Road East Project in Wan Chai through our respective shareholdings of 50% each in Grand Site (the joint venture company for the 200 Queen's Road East Project). The total estimated development cost for the 200 Queen's Road East Project is approximately HK$9,000.0 million (50% of which is attributable to the Company). As at the latest available date (being 31 March 2013 for the purpose of this statement), the committed amount(1) for the project was approximately HK$9,000.0 million. Up to the same date, we advanced HK$2,225.7 million to Grand Site to finance project development costs. We estimated that Grand Site will settle approximately HK$140.0 million, HK$1,400.0 million and HK$300.0 million of development costs during the last quarter of FY2013, FY2014 and FY2015 and beyond, respectively. The remaining development costs will be funded by the bank borrowings drawn under the existing loan facilities of Grand Site. Based on the foregoing, we do not expect to advance additional funds to Grand Site to settle any remaining development costs. Our equity interest in Grand Site has been pledged to certain banks to secure the banking facilities that have been granted to Grand Site. Hopewell has, in the past, entered into various arrangements with us for the purposes of, amongst others, providing financial assistance. As a result of one of these arrangements, Hopewell is currently the guarantor for the loan facility relating to Grand Site.

Based on our agreements with the URA and our joint venture partner, on an aggregate basis, residential sales proceeds exceeding HK$6.2 billion will be shared equally between the URA and Grand Site. Net rental income from the retail portion of the project will be shared by the URA and Grand Site at a ratio of 40:60, respectively.

Note:
(1) Committed amount means contracted construction cost and land cost.

Property renovation

The following table sets out our property renovation as at the dates indicated:

	As at 30 June			As at 31 December
	2010	2011	2012	2012
			HK$ Million	
Contracted but not provided for	**0.5**	**4.6**	**11.5**	**23.1**

CONTINGENT LIABILITIES

Save as disclosed in "— *Project commitments/estimated investment costs*" above and in this prospectus, as at the Latest Practicable Date, we did not have any outstanding mortgages, charges, debentures, loan capital, bank borrowings, overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, guarantees or material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	FY			1HFY
	2010	2011	2012	2013
Current ratio(1)	35.4%	35.9%	24.6%	9.6%
Adjusted current ratio(2)	696.4%	375.9%	240.4%	233.1%
Gearing ratio(3)	—	2.6%	5.7%	10.1%
Total debt to equity ratio(4)	—	5.5%	11.4%	17.1%
Net debt to equity ratio(5)	—	5.1%	11.3%	17.0%
Return on equity(6)(8)	68.4%	45.9%	22.7%	47.4%
Return on assets(7)(8)	23.5%	21.6%	11.4%	28.0%

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities.

(2) Adjusted current ratio is defined as current ratio excluding amounts due to the Remaining Group and amounts due from the Remaining Group.

(3) Gearing ratio is calculated by dividing total bank borrowings by total assets.

(4) Total debt to equity ratio is calculated by dividing total bank borrowings by total equity.

(5) Net debt to equity ratio is calculated by dividing net debt (total bank borrowings less bank balances and cash) by total equity.

(6) Return on equity is calculated by dividing profit for the year/period by total equity.

(7) Return on assets is calculated by dividing profit for the year/period by total assets.

(8) The calculation for the return for 1HFY2013 has not been annualised.

Current ratio

Our current ratio was 35.4%, 35.9%, 24.6% and 9.6% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our current ratio remained relatively stable from FY2010 to FY2011. Our current ratio decreased from 35.9% in FY2011 to 24.6% in FY2012, primarily due to a decrease in total current assets which was the result of the decrease in the amounts due from the Remaining Group and the decrease in assets classified as held for sale. Our current ratio decreased to 9.6% in 1HFY2013, primarily due to the settlement of amounts due from the Remaining Group, which resulted in a decrease in total current assets, coupled with an increase in amounts due to the Remaining Group.

Adjusted current ratio

Our adjusted current ratio was 696.4%, 375.9%, 240.4% and 233.1% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our adjusted current ratio decreased from FY2010 to FY2011, primarily reflecting the increases from rental and other deposits and tax liabilities. Our adjusted current ratio decreased from 375.9% in FY2011 to 240.4% in FY2012, primarily due to a decrease in bank balances and cash, coupled with an increase in tax liabilities. Our adjusted current ratio decreased to 233.1% in 1HFY2013, which was primarily the result of a decrease in assets classified as held for sale, coupled with an increase in rental and other deposits.

Gearing ratio

Our gearing ratio was nil, 2.6%, 5.7% and 10.1% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our gearing ratio was nil in FY2010 due to the fact that we had no bank borrowings for that period. Our gearing ratio increased from 2.6% in FY2011 to 5.7% in FY2012 and further to 10.1% in 1HFY2013, primarily due to an increase in external borrowings used to finance the capital expenditures of the Group and to provide advances to Grand Site.

Total debt to equity ratio

Our total debt to equity ratio was nil, 5.5%, 11.4% and 17.1% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our total debt to equity ratio was nil in FY2010 due to the fact that we had no bank borrowings for that period. The increase from FY2010 to 1HFY2013 was primarily due to an increase in external borrowings used to finance the capital expenditures of the Group and to provide advances to Grand Site.

Net debt to equity ratio

Our net debt to equity ratio was nil, 5.1%, 11.3% and 17.0% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our net debt to equity ratio was nil in FY2010 due to the fact that we had no bank borrowings for that period. The increase from FY2010 to 1HFY2013 was primarily due to an increase in external borrowings used to finance the capital expenditures of the Group and to provide advances to Grand Site.

Return on equity

Our return on equity was 68.4%, 45.9%, 22.7% and 47.4% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our return on equity decreased from 68.4% in FY2010 to 45.9% in FY2011, primarily due to an increase in total equity resulting from an increase in our reserves. Our return on equity further decreased from 45.9% in FY2011 to 22.7% in FY2012, primarily due to a decrease in our profit for the year which was the result of a reduced fair value gain of completed investment properties as compared to the previous year. Our return on equity was 47.4% in 1HFY2013, primarily due to an increase in fair value gain of completed investment properties and investment properties under development, namely the commercial portion of Hopewell Centre II after land conversion.

Return on assets

Our return on assets was 23.5%, 21.6%, 11.4% and 28.0% for FY2010, FY2011, FY2012 and 1HFY2013, respectively. Our return on assets decreased from 23.5% in FY2010 to 21.6% in FY2011, primarily due to an increase in completed investment properties and amounts due from the Remaining Group. Our return on assets decreased from 21.6% in FY2011 to 11.4% in FY2012, primarily due to lower fair value gains of completed investment properties in FY2012, coupled with an increase in completed investment properties and amount due from a jointly controlled entity. Our return on assets was 28.0% in 1HFY2013, primarily due to an increase in fair value gain of completed investment properties and investment properties under development, namely the commercial portion of Hopewell Centre II after land conversion.

OFF BALANCE SHEET ARRANGEMENTS

Save as disclosed in *"— Contingent Liabilities"* above, we have not entered into other material off-balance sheet arrangements or commitments to guarantee the payment of obligations of any third parties. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

The Directors confirm that all related party transactions are conducted on normal commercial terms and that their terms are fair, reasonable and in the interest of Shareholders and the Group as a whole.

Please refer to "*Connected Transactions*" and note 31 of "*Appendix I – Accountants' Report"* for more details.

PROPERTY INTEREST AND PROPERTY VALUATION

Particulars of our property interests are in *"Appendix IV — Property Valuation".* DTZ has valued the property interests of the Group as at 31 March 2013. A summary of values and valuation certificates issued by DTZ are included in *"Appendix IV — Property Valuation"*.

The following table sets out our property interest and property valuation for the periods indicated.

	HK$ Million
Carrying value as at 31 December 2012	
Completed investment properties	25,729.4
Hotel and other properties in property, plant and equipment	485.3
Properties under development	6,387.4
Properties for development	571.8
Attributable interest in properties owned by a jointly controlled entity (including amount due from a jointly controlled entity)	2,211.1
Investment properties classified as held for sale	982.3
	36,367.3
Less: Net disposal during the period from 1 January 2013 to 31 March 2013[1]	(179.4)
Less: Value of Unexposed Amalgamation Property not included in the Property Valuation Report	(224.5)
Add: Bank borrowings shared from the jointly controlled entity	1,513.0
Add: Valuation surplus[2]	8,131.4
Valuation attributable to the Group as at 31 March 2013	45,607.8

Notes:

(1) Includes properties with sale and purchase agreements that have been signed but not yet completed on or before 31 March 2013.

(2) The valuation surplus represents:

Fair value gain from 1 January 2013 to 31 March 2013	
Completed investment properties	1,026.3
Investment properties portion in properties under development	47.0
Valuation surplus arising from recording properties at fair value instead of at cost	
Hotel portion in property, plant and equipment	3,104.6
Hotel portion in properties under development	2,496.7
Own used properties in property, plant and equipment	536.6
Properties for development	226.8
Valuation surplus arising from properties owned by a jointly controlled entity	693.4
	8,131.4

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET AND OTHER RISKS

The main risks we are exposed to are market and other risks, including interest rate risks, credit risks and liquidity risks. The Directors review and agree on policies for managing each of these risks. They are summarised below:

Market risks

Interest rate risks

We are exposed to fair value interest rate risk in relation to amount due from a jointly controlled entity and current account with the Remaining Group which are interest-free. Prior to the Listing, it was our policy to keep these balances at interest-free to manage the cash flow interest rate risk. We expect all of the amounts due to the Remaining Group to be capitalised prior to the Listing, thereby significantly reducing our current liabilities.

We are exposed to cash flow interest rate risk in relation to certain bank borrowings which are subject to changes in HIBOR. Our cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR.

We expect the interest rate risk in relation to our bank balances to remain insignificant.

Interest rate risk sensitivity analysis

As the prevailing market interest rates have had limited fluctuation throughout the Track Record Period, the Directors expect the market interest rate will have limited fluctuation in the next twelve months and are of the opinion that our exposure to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented.

Credit risks

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets stated in the combined statements of financial positions.

Our credit risk is primarily attributable to our amounts due from a jointly controlled entity and the Remaining Group, trade receivables, and bank balances. In order to minimise the credit risk of trade receivables, our management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our credit risk is significantly reduced.

Our management is responsible to exercise joint control over the financial and operating activities of Grand Site with the joint venture partner to ensure that Grand Site maintains a favourable financial position in order to reduce such credit risk.

The credit risk on amount due from the Remaining Group is limited as the Remaining Group is at a good financial position.

Other than the amounts due from the Remaining Group and a jointly controlled entity, we have no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Our credit risks on liquid funds are limited because the counterparties are banks with good reputations.

Liquidity risks

As at 30 June 2010, 2011 and 2012, our total assets less current liabilities amounted to HK$7,905.3 million, HK$12,086.6 million, HK$13,662.9 million and HK$25,506.8 million, respectively. As at 30 June 2010, 2011 and 2012 and 31 December 2012, our net current liabilities amounted to HK$6,069.1 million, HK$6,499.9 million and HK$7,906.5 million and HK$9,998.6 million, respectively.

With regard to management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilisation of the loan facilities from the Remaining Group.

As at 30 June 2011 and 2012 and 31 December 2012, our bank borrowings of approximately HK$580.0 million, HK$1,380.0 million and HK$3,700.0 million, respectively, were due within one year for which we expected, and had discretion to request the Remaining Group to roll over the amount for at least twelve months after the end of the reporting period under our existing loan facility with the same lenders and on similar terms. Accordingly, the amounts were classified as noncurrent liabilities and presented in the time band of "1-5 years" in the liquidity risk table in note 33 of *"Appendix I — Accountants' Report"*.

Please refer to note 33 of *"Appendix I — Accountants' Report"* for more details on our contractual maturity for our financial liabilities.

DIVIDEND POLICY

We will evaluate our dividend policy and dividends declared in any particular year in light of the Group's financial position, the prevailing economic climate and expectations about the future macroeconomic environment and our business performance. The determination to pay dividends will be made at the discretion of the Board and will be based upon the Group's earnings, cash flow, financial condition, capital and other reserve requirements, the payment of cash dividends by our subsidiaries and any other conditions which the Board deems relevant. The payment of dividends may also be limited by legal restrictions and by financing and other agreements that we and/or our subsidiaries have entered into or may enter into in the future. The Company did not declare any dividends since its date of incorporation.

On 29 April 2013, dividends of HK$100 million were declared by the companies now comprising the Group to the Remaining Group. Dividends declared to the Remaining Group were included in the amounts due to the Remaining Group, which will be fully capitalised pursuant to the Capitalisation Issue. Further, during FY2010, FY2011, FY2012 and 1HFY2013, certain subsidiaries of the Group made distributions of HK$157.5 million, HK$323.9 million, HK$1,256.9 million and HK$744.0 million to the Remaining Group, respectively. There is, however, no assurance that any proportion of our profit attributable to the equity holders of the Company for any year will be distributed as dividends or that any dividend will be paid at all.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves as at the Latest Practicable Date. The distributable reserves of the Company will be increased by any net profit earned, or decreased by any net losses incurred or any distributions made, in subsequent periods.

LISTING EXPENSES

No significant listing expense has been incurred by the Group up to 31 December 2012. The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering are approximately HK$58.0 million, among which approximately HK$20.0 million will be charged to profit or loss and approximately HK$38.0 million will be capitalised as deferred expenses, which is expected to be charged against equity upon successful listing under the relevant accounting standards.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to the combined net tangible assets of the Group attributable to the equity holders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 as if the Global Offering had taken place on that date.

The statement of unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 or as at any subsequent dates, including following the Global Offering.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2012[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share[(3)(4)(5)]
	HK$ (in millions)	HK$ (in millions)	HK$ (in millions)	HK$
Before Capitalisation Issue				
Based on an Offer Price of HK$15.30 per Offer Share	**21,618**	**5,014**	**26,632**	**19.87**
Based on an Offer Price of HK$17.80 per Offer Share	**21,618**	**5,843**	**27,461**	**20.49**

Notes:

(1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 is extracted from the Accountants' Report set out in "*Appendix I — Accountants' Report*", which is based on the audited combined net assets of the Group attributable to the equity holders of the Company.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$15.30 and HK$17.80 per Offer Share, respectively, after deduction of underwriting commissions and fees (assuming no payment of the discretionary incentive fee) and other related expenses payable by the Company and without taking into account (i) any Shares which may be issued pursuant to the issue mandate and (ii) any Shares which may be repurchased pursuant to the repurchase mandate.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at on the basis that 1,340,000,000 Shares were in issue, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group and 340,000,000 Shares to be issued pursuant to the Global Offering, assuming that the Global Offering had been completed on 31 December 2012 and without taking into account (i) Shares to be issued pursuant to the Capitalisation Issue, (ii) any Shares which may be issued pursuant to the issue mandate and (iii) any Shares which may be repurchased pursuant to the repurchase mandate.

(4) No adjustment has been made to audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2012. In particular, the unaudited pro forma adjusted combined net tangible assets in the table above has not been adjusted to show the effect of the Capitalisation Issue. Subject to and simultaneous with the completion of the Global Offering, the Company will issue 500,000,000 Shares to Boyen Investments. These Shares will be credited as fully paid up by way of capitalisation of the entire amount of the net outstanding intra-group loans owed by the Group to the Remaining Group as at the date of such issue. A sum of HK$10,606.0 million representing the amount due from the Group to the Remaining Group as at 31 December 2012 has been adjusted in the table below for illustrative purposes, taking into account the impact of the Capitalisation Issue. The unaudited pro forma adjusted net tangible assets after the Capitalisation Issue per Share is arrived at on the basis that 1,840,000,000 Shares were in issue, comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group, 340,000,000 Shares to be issued pursuant to the Global Offering and 500,000,000 Shares to be issued pursuant to the Capitalisation Issue, assuming that both the Global Offering (see note (2) above for an explanation of the estimated net proceeds from the Global Offering) and the Capitalisation Issue had been completed on 31 December 2012. The actual amounts to be capitalised will be based on the outstanding balances as at the date when the Capitalisation Issue actually takes place.

	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company after the Capitalisation Issue	Unaudited pro forma adjusted net tangible assets after the Capitalisation Issue per Share
	HK$ (in millions)	HK$
After Capitalisation Issue		
Based on an Offer Price of HK$15.30 per Offer Share . .	**37,238**	**20.24**
Based on an Offer Price of HK$17.80 per Offer Share . .	**38,067**	**20.69**

(5) Based on the property valuation reports as at 31 March 2013 as set out in "*Appendix IV — Property Valuation*", the property interests attributable to the Group had a revaluation surplus up to 31 March 2013 of approximately HK$8,131.4 million (please refer to "*— Property Interest And Property Valuation*" above for more information), representing the excess of the market value of these properties over their book value. The unaudited pro forma adjusted combined net tangible assets has not taken into account of the revaluation surplus of properties held for own use and hotel properties, nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 31 March 2013 is to be incorporated in the Group's future financial statements, additional annual depreciation of approximately HK$136.1 million would be charged to profit or loss.

UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE(1)

The following unaudited pro forma forecast earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 July 2012. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 30 June 2013 or any future periods.

Forecast consolidated net profit attributable to equity holders of the Company before fair value gains of investment properties	**not less than HK$420 million**
Fair value gains of investment properties	**HK$11,143 million**
Forecast consolidated net profit attributable to equity holders of the Company after fair value gains of investment properties	**not less than HK$11,563 million**
Unaudited pro forma forecast earnings per Share before the Capitalisation Issue(2)	
— Forecast profit before fair value gains of investment properties	**not less than HK$0.31 per Share**
— Forecast profit after fair value gains of investment properties	**not less than HK$8.63 per Share**

Notes:

(1) The forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 is extracted from "*Appendix II — Unaudited Pro Forma Financial Information*" and "*Appendix III — Profit Forecast*". The bases and assumptions on which the above profit forecast has been prepared are summarised in "*Appendix III — Profit Forecast*". The Directors have prepared the above profit forecast based on the audited results of the Group for the 6 months ended 31 December 2012, the unaudited results based on the management accounts of the Group for the 3 months ended 31 March 2013 and a forecast of the results of the Group for the remaining 3 months ending 30 June 2013. The above profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of the Accountants' Report, the text of which is set out in "*Appendix I — Accountants' Report*".

(2) The unaudited forecast earnings per Share on a pro forma basis (before the Capitalisation Issue) is calculated by dividing the forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 by 1,340,000,000 Shares comprising 1,000,000,000 Shares issued for settlement of consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group and 340,000,000 Shares to be issued pursuant to the Global Offering as if such Shares had been in issue on 1 July 2012. The number of Shares used in this calculation includes the Shares in issue as at the date of this prospectus and the Shares to be issued pursuant to the Global Offering but excludes (i) Shares to be issued pursuant to the Capitalisation Issue, (ii) any Shares which may be issued pursuant to the issue mandate and (iii) any Shares which may be repurchased pursuant to the repurchase mandate.

(3) For illustrative purposes, had the Capitalisation Issue been taken into account, the number of Shares used in this calculation would be increased to 1,840,000,000 Shares, comprising 1,000,000,000 Shares issued for settlement of

consideration payable by the Group to acquire the equity interests in the companies comprising the Group from the Remaining Group, 340,000,000 Shares to be issued pursuant to the Global Offering and 500,000,000 Shares to be issued pursuant to the Capitalisation Issue, as if the Global Offering and the Capitalisation Issue had been completed on 1 July 2012. The unaudited forecast earnings per Share on a pro forma basis (after the Capitalisation Issue) is calculated by dividing the forecast consolidated net profit attributable to the equity holders of the Company for the year ending 30 June 2013 by 1,840,000,000 Shares as set out in the table below.

Unaudited pro forma forecast earnings per Share after the Capitalisation Issue	
— Forecast profit before fair value gains of investment properties	not less than HK$0.23 per Share
— Forecast profit after fair value gains of investment properties	not less than HK$6.28 per Share

SENSITIVITY ANALYSIS

The following table is for illustrative purposes and sets out the sensitivity of the forecast consolidated net profit attributable to our equity holders to different levels of increase/(decrease) in fair value of the investment properties (excluding investment properties held for sale) for the year ending 30 June 2013:

% change in fair value of investment properties[(1)]	**-5%**	**-10%**	**5%**	**10%**
Impact on forecast net profit attributable to our equity holders targeted for the year ending 30 June 2013 (HK$ in million)	(1,581)	(3,163)	1,581	3,163
The Group's net profit for the year ending 30 June 2013 will be (HK$ in million)	9,982	8,400	13,144	14,726
% (decrease) increase in net profit	(13.7%)	(27.4%)	13.7%	27.4%

Note:

(1) Excludes investment properties classified as held for sale.

We adopt a 5% and 10% range of increment/decrement to the base case in the sensitivity analysis above in respect of (i) the change in fair value of the Group's completed investment properties, including Hopewell Centre, QRE Plaza, GardenEast, our interests in Wu Chung House, KITEC and Panda Place; (ii) the change in fair value of the commercial portion of Hopewell Centre II, which is accounted for as investment property; and (iii) the share of the change in fair value of the commercial portion of 200 Queen's Road East Project, which is accounted for as investment property, during FY2013.

For the purposes of the sensitivity analysis, we have excluded the impact from the change in fair value of the Group's investment properties held for sale, namely Broadwood Twelve. Taking into account the relatively stable nature of the luxury residential market which is consistent with recent historical periods, it is estimated that there will be no material change in fair value of Broadwood Twelve.

You should refer to "*Risk Factors — Gains or losses arising from changes in fair value of our investment properties are likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability and financial position*" for additional information.

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not purported to be exhaustive. While we have considered for the purposes of this profit forecast what we believe is the best estimate of the changes in fair value of our investment properties for FY2013, the actual changes in fair value of our investment properties as of the relevant time may differ materially from our estimates and are dependant upon market conditions and other factors which are beyond our control.

The Directors estimate that there will be no material change in the market value of investment properties during the three months ending 30 June 2013, as it is expected that there will be no material change in the Group's operations or the market conditions during such period.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as disclosed in "*— Capital Risk Management, Capital Expenditures and Commitments — Project commitments/estimated investment costs — 200 Queen's Road East Project*", we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

The Directors confirm that they have performed sufficient due diligence on the Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2012, and there has been no event since 31 December 2012 which would materially affect the information shown in "*Appendix I — Accountants' Report*".