# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2009*

## 1. GENERAL

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is 64th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

During the year, Hopewell Highway Infrastructure Limited ("HHI"), a non-wholly owned subsidiary of the Company whose shares are listed on the Hong Kong Stock Exchange, changed its functional currency from Hong Kong dollars to Renminbi due to the change of the underlying investment activities and strategy of HHI. The effect of the change of the functional currency of HHI has been accounted for prospectively. All items of the financial statements of HHI were translated into Renminbi using the exchange rate at the date of change. The resulting translated amounts for non-monetary item are treated as their historical cost.

The principal activities of the Company and it subsidiaries (collectively referred to as "the Group") are investment in toll road and power plant, property development and investment, property agency and management, hotel investment and management, restaurant operations and food catering.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

| | |
|---|---|
| HKAS 39 & HKFRS 7 (Amendments) | Reclassification of Financial Assets |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 13 | Customer Loyalty Programme |
| HK(IFRIC)-Int 14 | HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. |

### Service concession arrangements

In the current year, certain jointly controlled entities of the Group have applied HK(IFRIC)-Int 12 "Service Concession Arrangements" which is effective for the Group's financial periods beginning on 1 July 2008.

In accordance with HK(IFRIC)-Int 12, infrastructure within the scope of this interpretation is not recognised as property, plant and equipment of the operator but is recognised as an intangible asset in accordance with HKAS 38 "Intangible Assets" to the extent that the operator receives a right (a licence) to charge users of the public service. The financial impact on application of this interpretation is summarised below.

### Summary of the effect of the changes in accounting policies of certain jointly controlled entities of the Group

The effect of changes in accounting policies described above on the results for the current and prior year by line items presented is as follows:

| | *2008 HK$'000* | ***2009 HK$'000*** |
|---|---|---|
| Increase in share of profit of jointly controlled entities | 17,780 | **17,703** |
| Increase in income tax expense | (890) | **(885)** |
| Increase in profit for the year | 16,890 | **16,818** |

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Service concession arrangements (continued)

**Summary of the effect of the changes in accounting policies of certain jointly controlled entities of the Group** (continued)

The effect of the application of HK(IFRIC)-Int 12 as at 30 June 2008 is summarised below:

| | *As at 30.6.2008 (originally stated) HK$'000* | *Adjustments HK$'000* | *As at 30.6.2008 (restated) HK$'000* |
|---|---|---|---|
| Balance sheet items | | | |
| **Assets** | | | |
| Interests in jointly controlled entities | 5,703,370 | (142,558) | 5,560,812 |
| **Equity and liabilities** | | | |
| Translation reserve | 387,014 | (20,068) | 366,946 |
| Retained profits | 11,552,531 | (79,569) | 11,472,962 |
| Minority interests | 3,269,734 | (37,165) | 3,232,569 |
| Deferred tax liabilities | 882,930 | (5,756) | 877,174 |
| | 16,092,209 | (142,558) | 15,949,651 |

The effect of the application of HK(IFRIC)-Int 12 on the Group's equity at 1 July 2007 is summarised below:

| | *As at 1.7.2007 (originally stated) HK$'000* | *Adjustments HK$'000* | *As at 1.7.2007 (restated) HK$'000* |
|---|---|---|---|
| Translation reserve | 176,114 | (9,622) | 166,492 |
| Retained profits | 7,891,295 | (91,930) | 7,799,365 |
| Minority interests | 3,058,754 | (37,929) | 3,020,825 |
| | 11,126,163 | (139,481) | 10,986,682 |

The effect of the application of HK(IFRIC)-Int 12 on the Group's basic and diluted earnings per share for the current and prior year is summarised below:

*Impact on basic earnings per share*

| | *2008 HK$* | ***2009 HK$*** |
|---|---|---|
| Figures before adjustments | 6.65 | **1.89** |
| Adjustments arising from changes in accounting policies | 0.01 | **0.01** |
| Adjusted | 6.66 | **1.90** |

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Service concession arrangements (continued)

**Summary of the effect of the changes in accounting policies of certain jointly controlled entities of the Group** (continued)

*Impact on diluted earnings per share*

| | 2008 HK$ | 2009 HK$ |
|---|---|---|
| Figures before adjustments | 6.62 | **1.89** |
| Adjustments arising from changes in accounting policies | 0.01 | **0.01** |
| Adjusted | 6.63 | **1.90** |

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2008[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[2] |
| HKAS 1 (Revised) | Presentation of Financial Statements[3] |
| HKAS 23 (Revised) | Borrowing Costs[3] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[4] |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[3] |
| HKAS 39 (Amendment) | Eligible Hedged Items[4] |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters[5] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[3] |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions[5] |
| HKFRS 3 (Revised) | Business Combinations[4] |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments[3] |
| HKFRS 8 | Operating Segments[3] |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate[3] |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation[6] |
| HK(IFRIC)-Int 17 | Distribution of Non-cash Assets to Owners[4] |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers[7] |

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The application of the amendment to HKAS 40 "Investment Property", which is contained in HKFRSs (Amendments) "Improvements to HKFRSs 2008", may affect the accounting for property under development for future use as an investment property of the Group. The amendment to HKAS 40 brings such property within the scope of HKAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with HKAS 16 "Property, Plant and Equipment". The amendment is to be applied prospectively and is effective for the Group's financial period beginning on or after 1 July 2009.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Distribution in specie of shares in a subsidiary

Dividend payable is recognised when the dividend is appropriately authorised and is no longer at the discretion of the Company, which is the date when the declaration of the dividend is approved by the shareholders or when the dividend is declared.

Dividend payable is measured at the fair value of the interests in a subsidiary to be distributed. On the settlement of dividend payable, any difference between the carrying amount of the interests in a subsidiary distributed and the carrying amount of the dividend payable is recognised in profit or loss.

### Investments in subsidiaries

In the Company's balance sheet, investments in subsidiaries are stated at cost less any identified impairment loss.

### Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The Group has incurred additional development expenditure for the construction and development of the toll expressways operated by the jointly controlled entities, which were not accounted for by those entities. Such costs are included in additional cost of investments in jointly controlled entities and are amortised over the joint venture period on the same basis as that adopted by the relevant jointly controlled entity in respect of depreciation of its project cost, commencing from the date of operation of the project undertaken. On disposal of a jointly controlled entity, the attributable amount of the unamortised additional cost of investment is included in the determination of the profit or loss on disposal.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

### Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. 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.

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 asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

If an investment property becomes a 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.

### Property, plant and equipment

Property, plant and equipment, including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost or deemed cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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 property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be 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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Properties under development

Properties under development classified as non-current assets includes property in the course of construction for production or for its own use purposes as well as self-constructed investment property. 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.

When the leasehold land and buildings are in the course of development, the leasehold land component is classified as prepaid land lease payments and amortised on a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the cost of the properties under development.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Properties under development (continued)

Properties under development for production or for its own use purposes is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property that is being constructed or developed for future use as an investment property is classified as properties under development and carried at cost less any recognised impairment loss. Upon the completion of the development, the property is reclassified to and subsequently accounted for as investment property. Any difference between the fair value of the property at the time of reclassification and its previous carrying amount is recognised in profit or loss.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss or in equity, as appropriate.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### Prepaid land lease payments

Prepaid land lease payments, which represent up-front payments to acquire interests in leasehold land, are stated at cost and amortised over the period of the lease on a straight-line basis.

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

The Group's and the Company's financial assets are classified into loans and receivables or available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan receivable, loan to a jointly controlled entity, trade and other receivables, amounts due from subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as held-to-maturity investments, financial assets at fair value through profit or loss or loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

#### Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale financial assets, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past an average credit period of 15 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, amounts due from subsidiaries and loan to a jointly controlled entity, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the amounts are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Impairment loss on financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale financial assets carried at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

#### Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including amounts due to subsidiaries, amount due to a minority shareholder of a subsidiary, trade and other payables, rental and other deposits, amounts due to associates and amount due to a jointly controlled entity) are subsequently measured at amortised cost, using the effective interest method.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

### Stock of properties

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, determined by management based on prevailing market conditions.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the amounts required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

#### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model and those properties transferred from investment properties to property, plant and equipment, which are accounted for as if it were a finance lease.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

### Equity-settled share-based payment transactions

For share option schemes, the fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's share held for the share award scheme is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained profits.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equity-settled share-based payment transactions (continued)

At each balance sheet date, the Group revises its estimates of the number of share options and awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in the profit or loss, with a corresponding adjustment to the share option reserve and share award reserve respectively.

### 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, net of 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 sale of properties in the ordinary course of business is recognised when the development of relevant properties has been completed at which the relevant completion certificates are issued by the respective government authorities and the properties have been delivered to the purchasers and the collectability of related receivables is reasonably assured. Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the balance sheet under current liabilities.

#### Infrastructure project investment

Revenue from provision of management services for infrastructure project investment is recognised when services are rendered.

#### Hotel investment and management

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

#### Restaurant operations and food catering

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

#### Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Dividend income

Dividend income from investments are recognised when the Group's rights to receive payment have been established.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation of uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be reported in the consolidated income statement.

### Amortisation of concession intangible assets held by jointly controlled entities and amortisation of additional cost of investments in jointly controlled entities

Amortisation of concession intangible assets held by jointly controlled entities and amortisation of the Group's additional cost of investments in jointly controlled entities are calculated based on the ratio of the actual traffic volume of the underlying toll expressways compared to the total expected traffic volume of the underlying toll expressways over the remaining concession periods of the service concession agreements of the respective jointly controlled entities. Adjustments may need to be made to the carrying amounts of the Group's interests in jointly controlled entities and share of results of these jointly controlled entities should there be a material difference between the total expected traffic volume and the actual results.

### Resurfacing obligations related to toll expressways operated by jointly controlled entities

Certain jointly controlled entities of the Group have contractual obligations under the contractual service arrangements to maintain the toll expressways to a specified level of serviceability over the respective concession periods. These obligations to maintain or restore the toll expressways, except for upgrade services, are to be recognised and measured as resurfacing obligations.

The amount expected to be required to settle the obligations at the balance sheet date is determined based on the number of major resurfacing works to be undertaken over the concession periods under the service concession agreements and the expected costs to be incurred for each event. The costs are then discounted to the present value based on a pre-tax discount rate.

Adjustments may need to be made to the carrying amount of the Group's interests in jointly controlled entities and share of results of that jointly controlled entity should there be a material change in the expected expenditures, resurfacing plan and discount rate.

### Depreciation of power plant operated by a jointly controlled entity

Depreciation of power plant operated by a jointly controlled entity is calculated based on units-of-production method which are based on the expected volume of production and expected useful life of the power plant. Adjustments may need to be made to the carrying amount of the Group's interests in jointly controlled entities and share of results of that jointly controlled entity should there be a material change in the expected volume of production or useful life of the power plant.

## 5. TURNOVER

Turnover comprises mainly income from property letting, agency and management, property development and service fee income from toll road investment, hotel investment and management, restaurant operations and food catering, and is analysed as follows:

| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
|---|---|---|
| Property letting, agency and management | 485,394 | **553,559** |
| Property development | 5,562 | **3,540** |
| Toll road investment | 2,455 | **—** |
| Hotel investment and management | 219,389 | **210,416** |
| Restaurant operations and food catering | 202,068 | **200,278** |
| Other operations | 94 | **48** |
| | 914,962 | **967,841** |

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business Segments

The businesses based upon which the Group reports its primary segment information are follows:

| | | |
|---|---|---|
| Property investment | — | property letting, agency and management |
| Property development | — | development of properties |
| Toll road investment | — | investments in expressway projects |
| Hotel investment and management | — | hotel ownership and management |
| Restaurants and catering | — | restaurant operations and food catering |
| Power plant | — | power plant operation |

Segment information about these businesses is presented below.

**Segment turnover**

Year ended 30 June

| | *2008* | | | ***2009*** | | |
|---|---|---|---|---|---|---|
| | *External* *HK$'000* | *Inter-segment* *HK$'000* | *Combined* *HK$'000* | ***External*** ***HK$'000*** | ***Inter-segment*** ***HK$'000*** | ***Combined*** ***HK$'000*** |
| Property investment | 485,394 | 32,152 | 517,546 | **553,559** | **42,594** | **596,153** |
| Property development | 5,562 | — | 5,562 | **3,540** | **—** | **3,540** |
| Toll road investment | 2,455 | — | 2,455 | **—** | **—** | **—** |
| Hotel investment and management | 219,389 | 13 | 219,402 | **210,416** | **181** | **210,597** |
| Restaurants and catering | 202,068 | — | 202,068 | **200,278** | **—** | **200,278** |
| Power plant | — | — | — | **—** | **—** | **—** |
| Other operations | 94 | 8,573 | 8,667 | **48** | **12,700** | **12,748** |
| Eliminations | — | (40,738) | (40,738) | **—** | **(55,475)** | **(55,475)** |
| Total turnover | 914,962 | — | 914,962 | **967,841** | **—** | **967,841** |

Inter-segment revenue was charged at prices determined by the management with reference to market prices.

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business Segments (continued)

**Segment results**
Year ended 30 June

| | *2008 (restated)* | | | | **2009** | | | |
|---|---|---|---|---|---|---|---|---|
| | *Segment results HK$'000* | *Jointly controlled entities HK$'000* | *Associates HK$'000* | *Total HK$'000* | ***Segment results HK$'000*** | ***Jointly controlled entities HK$'000*** | ***Associates HK$'000*** | ***Total HK$'000*** |
| Property investment | | | | | | | | |
| Operations | 251,053 | 1,237 | 2,135 | 254,425 | **336,738** | **594** | **3,026** | **340,358** |
| Gain recognised on transfer of property to investment properties upon completion of development | 371,408 | — | — | 371,408 | **510,847** | **—** | **—** | **510,847** |
| Gain arising from changes in fair value of investment properties | 270,334 | — | — | 270,334 | **209,359** | **—** | **—** | **209,359** |
| | 892,795 | 1,237 | 2,135 | 896,167 | **1,056,944** | **594** | **3,026** | **1,060,564** |
| Property development | (31,918) | — | — | (31,918) | **(28,292)** | **—** | **—** | **(28,292)** |
| Toll road investment | 12,047 | 1,085,421 | — | 1,097,468 | **(54,782)** | **1,116,390** | **—** | **1,061,608** |
| Hotel investment and management | 54,877 | — | 3,880 | 58,757 | **50,100** | **—** | **3,348** | **53,448** |
| Restaurants and catering | 18,417 | — | — | 18,417 | **14,630** | **—** | **—** | **14,630** |
| Power plant | — | (42,466) | — | (42,466) | **(568)** | **(7,692)** | **—** | **(8,260)** |
| Other operations | (12,007) | — | 728 | (11,279) | **(9,900)** | **—** | **484** | **(9,416)** |
| | 934,211 | 1,044,192 | 6,743 | 1,985,146 | **1,028,132** | **1,109,292** | **6,858** | **2,144,282** |

| | *2008 HK$'000 (restated)* | ***2009 HK$'000*** |
|---|---|---|
| Segment results | | |
| Company and subsidiaries | 934,211 | **1,028,132** |
| Interest and other income | 291,465 | **115,885** |
| Unallocated exchange gains (losses), net | 37,888 | **(1,033)** |
| Unallocated corporate expenses | (150,356) | **(150,568)** |
| | 1,113,208 | **992,416** |
| Gain arising from distribution in specie of shares in a subsidiary | — | **143,572** |
| Gain on disposal of available-for-sale investments | 21,756 | **1,873** |
| Gain on disposal of jointly controlled entities and associates | 4,741,457 | **—** |
| Gain on disposal of investment properties | 27,106 | **—** |
| Gain on deemed disposal of partial interest in a subsidiary | 291 | **—** |
| Finance costs | (86,759) | **(35,270)** |
| Share of profits of | | |
| Jointly controlled entities | 1,044,192 | **1,109,292** |
| Associates | 6,743 | **6,858** |
| Profit before taxation | 6,867,994 | **2,218,741** |
| Income tax expense | (339,104) | **(221,278)** |
| Profit for the year | 6,528,890 | **1,997,463** |

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business Segments (continued)

**Assets and Liabilities**

At 30 June 2009

| | Segment assets HK$'000 | Interests in and loan to jointly controlled entities HK$'000 | Interests in associates HK$'000 | Consolidated total assets HK$'000 | Segment liabilities HK$'000 | Consolidated total liabilities HK$'000 |
|---|---|---|---|---|---|---|
| Property investment | **9,330,071** | **12,053** | **20,598** | **9,362,722** | **251,901** | **251,901** |
| Property development | **545,457** | **25,000** | **—** | **570,457** | **85,772** | **85,772** |
| Toll road investment | **9,825** | **6,037,367** | **—** | **6,047,192** | **35,267** | **35,267** |
| Hotel investment and management | **383,182** | **—** | **—** | **383,182** | **42,846** | **42,846** |
| Restaurants and catering | **124,627** | **—** | **—** | **124,627** | **21,259** | **21,259** |
| Power plant | **—** | **655,578** | **—** | **655,578** | **62,148** | **62,148** |
| Other operations | **23,583** | **—** | **6,444** | **30,027** | **17,422** | **17,422** |
| | **10,416,745** | **6,729,998** | **27,042** | **17,173,785** | **516,615** | **516,615** |
| Available-for-sale investments | | | | **33,318** | | **—** |
| Unallocated assets/liabilities | | | | **6,575,280** | | **1,278,373** |
| | | | | **23,782,383** | | **1,794,988** |

At 30 June 2008

| | Segment assets HK$'000 | Interests in and loan to jointly controlled entities HK$'000 (restated) | Interests in associates HK$'000 | Consolidated total assets HK$'000 (restated) | Segment liabilities HK$'000 | Consolidated total liabilities HK$'000 (restated) |
|---|---|---|---|---|---|---|
| Property investment | 8,104,771 | 11,459 | 19,524 | 8,135,754 | 298,004 | 298,004 |
| Property development | 420,788 | — | — | 420,788 | 61,986 | 61,986 |
| Toll road investment | 11,747 | 4,940,526 | — | 4,952,273 | 113,469 | 113,469 |
| Hotel investment and management | 393,537 | — | — | 393,537 | 50,728 | 50,728 |
| Restaurants and catering | 104,238 | — | — | 104,238 | 23,326 | 23,326 |
| Power plant | — | 664,278 | — | 664,278 | — | — |
| Other operations | 18,333 | — | 3,309 | 21,642 | 25,139 | 25,139 |
| | 9,053,414 | 5,616,263 | 22,833 | 14,692,510 | 572,652 | 572,652 |
| Available-for-sale investments | | | | 65,096 | | — |
| Unallocated assets/liabilities | | | | 13,227,312 | | 1,129,182 |
| | | | | 27,984,918 | | 1,701,834 |

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business Segments (continued)

**Other Information**

| | 2008 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | *Capital additions HK$'000* | *Depreciation HK$'000* | *Other Non-cash expenses HK$'000* | ***Capital additions HK$'000*** | ***Depreciation HK$'000*** | ***Other non-cash (income) expenses HK$'000*** |
| Property investment | 371,089 | 6,754 | 133 | **260,903** | **8,633** | **(16)** |
| Property development | 21,567 | 1,260 | — | **826** | **1,286** | **—** |
| Toll road investment | 8,266 | 857 | — | **223** | **4,837** | **—** |
| Hotel investment and management | 27,878 | 18,384 | — | **14,694** | **18,182** | **(255)** |
| Restaurants and catering | 11,204 | 5,640 | 96 | **4,295** | **6,050** | **87** |
| Other operations | 176 | 652 | — | **88** | **673** | **—** |
| Unallocated | 195,309 | 3,048 | — | **223,654** | **7,020** | **—** |
| | 635,489 | 36,595 | 229 | **504,683** | **46,681** | **(184)** |

### Geographical Segments

The Group's hotel investment and management, restaurants and catering activities are mainly carried out in Hong Kong. The Group's property investment and development activities are carried out in Hong Kong and the People's Republic of China ("the PRC"). The Group's toll road and power plant investments are located in the PRC. The following table provides an analysis of the Group's turnover by geographical markets:

| | Turnover | |
|---|---|---|
| | *2008 HK$'000* | ***2009 HK$'000*** |
| Hong Kong | 905,689 | **961,221** |
| The PRC | 9,273 | **6,620** |
| | 914,962 | **967,841** |

The following is an analysis of the carrying amounts of assets and additions to investment properties, property, plant and equipment and properties under development of the Group, analysed by the geographical areas in which the assets are located:

| | Assets | | Additions to investment properties, property, plant and equipment, and properties under development | |
|---|---|---|---|---|
| | *2008 HK$'000 (restated)* | ***2009 HK$'000*** | *2008 HK$'000* | ***2009 HK$'000*** |
| Group segment assets | | | | |
| Hong Kong | 8,655,029 | **9,886,270** | 418,565 | **280,079** |
| The PRC | 397,746 | **529,933** | 21,615 | **950** |
| Other regions | 639 | **542** | — | **—** |
| | 9,053,414 | **10,416,745** | 440,180 | **281,029** |
| Other assets *(Note)* | 18,931,504 | **13,365,638** | 195,309 | **223,654** |
| | 27,984,918 | **23,782,383** | 635,489 | **504,683** |

*Note:* Unallocated assets mainly include bank deposits, interests in and loan to jointly controlled entities and available-for-sale investments.

## 7. OTHER INCOME

| | 2008 HK$'000 | **2009 HK$'000** |
|---|---|---|
| Included in other income are: | | |
| Interest from | | |
| Bank deposits | 283,502 | **115,199** |
| Loans and other receivables | 4,823 | **160** |
| Dividend income from listed securities | 2,877 | **—** |
| Exchange gains | 111,362 | **418** |

## 8. OTHER EXPENSES

The other expenses represent charitable donations made by the Group.

## 9. GAIN ON DISPOSAL OF JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

| | 2008 HK$'000 | **2009 HK$'000** |
|---|---|---|
| Gain on disposal of a jointly controlled entity and associates engaged in property development and property management *(Note a)* | 3,948,285 | **—** |
| Gain on disposal of a jointly controlled entity engaged in the operation of an expressway *(Note b)* | 793,172 | **—** |
| | 4,741,457 | **—** |

*Notes:*

(a) During the year ended 30 June 2008, the Group disposed of its equity interest in, and loans to, a subsidiary of the Company, Nomusa Limited ("Nomusa"), which was principally engaged in investment holding, and its equity interests in two associates, namely, Nova City Property Management Limited ("Nova City") and Nova Taipa Gardens Property Management Limited ("Nova Gardens"), which were principally engaged in property management, to a fellow subsidiary of a shareholder of the Group's jointly controlled entity, Nova Taipa-Urbanizacoes Limitada ("Nova Taipa"), for a total consideration of HK$4,580 million. The sole assets of Nomusa are the 50% equity interest in, and loans to Nova Taipa, which was principally engaged in property development. The disposal gave rise to a gain amounting to HK$3,948 million which was recognised in the Group's consolidated income statement for the year ended 30 June 2008.

(b) During the year ended 30 June 2008, the Group disposed of its entire interest in a jointly controlled entity, ESW Ring Road JV, for a consideration of RMB1,712.55 million. ESW Ring Road JV was principally engaged in the construction, operation and management of Guangzhou East-South-West Ring Road in the PRC. The disposal gave rise to a gain amounting to HK$793 million which was recognised in the Group's consolidated income statement for the year ended 30 June 2008.

## 10. FINANCE COSTS

| | 2008 HK$'000 | **2009 HK$'000** |
|---|---|---|
| Loan arrangement fees and bank charges | 65,849 | **33,320** |
| Imputed interest on amount due to a minority shareholder of a subsidiary | — | **1,950** |
| Interest reimbursed to a jointly controlled entity *(Note)* | 20,910 | **—** |
| | 86,759 | **35,270** |

*Note:* ESW Ring Road JV had in the past raised bank loans to finance the development of its road project. The interests of such bank loans were reimbursed by the Hong Kong joint venture partners. The Group's entire interest in ESW Ring Road JV was disposed of during the year ended 30 June 2008 as referred to in note 9(b).

## 11. SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

| | 2008 HK$'000 (restated) | 2009 HK$'000 |
|---|---|---|
| Share of profits of jointly controlled entities before interest income from loans to, and amortisation of additional cost of investments in, jointly controlled entities | 1,102,851 | **1,189,952** |
| Interest income from loans to, and registered capital contribution made to, jointly controlled entities *(Note)* | 23,258 | **3,946** |
| Amortisation of additional cost of investments in jointly controlled entities | (81,917) | **(84,606)** |
| | 1,044,192 | **1,109,292** |

*Note:* The amount includes imputed interest on interest free loans advanced by the Group to a jointly controlled entity amounting to HK$3.8 million (2008: HK$3.6 million).

## 12. PROFIT BEFORE TAXATION

| | 2008 HK$'000 (restated) | 2009 HK$'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Auditors' remuneration | 6,234 | **5,868** |
| Depreciation of property, plant and equipment | 36,595 | **46,681** |
| Amortisation of prepaid land lease payments | 10,650 | **10,572** |
| Less: Amount capitalised to properties under development | (7,805) | **(7,727)** |
| | 2,845 | **2,845** |
| Loss on disposal of property, plant and equipment | 622 | **217** |
| Rental expense in respect of properties under operating leases | 1,125 | **1,083** |
| Staff costs (including directors' emoluments) | 338,095 | **337,040** |
| Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities) | 211,945 | **130,931** |
| Share of tax of associates (included in share of profits of associates) | 588 | **394** |
| Rental income from investment properties, less attributable outgoings of HK$212,141,000 (2008: HK$183,656,000) | (279,082) | **(334,064)** |

## 13. INCOME TAX EXPENSE

| | 2008 HK$'000 (restated) | 2009 HK$'000 |
|---|---|---|
| Hong Kong Profits Tax | | |
| Current year | 24,529 | **25,010** |
| Under(over) provision in respect of prior years | 270 | **(3,022)** |
| | 24,799 | **21,988** |
| Taxation elsewhere | | |
| Current year | 164,556 | **1,237** |
| Deferred tax *(note 37)* | 149,749 | **198,053** |
| | 339,104 | **221,278** |

## 13. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profit for the year.

Taxes on profits assessable elsewhere are calculated at the tax rates prevailing in the countries in which the Group operates.

Taxation elsewhere for 2008 represented mainly the PRC Enterprise Income Tax amounting to approximately HK$23 million on receipt of RMB725 million from the Group's jointly controlled entity, Guangzhou Shenzhen Zhuhai Superhighway Company Limited ("GS Superhighway JV"), in relation to repayment of additional development expenditure for the construction and development of the toll expressway operated by GS Superhighway JV previously incurred by the Group (note 23(a)), and the PRC withholding tax paid in relation to the disposal of interest in ESW Ring Road JV amounted to approximately HK$132 million (note 9(b)), which were calculated at the rates then prevailing in the PRC.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the People's Republic of China issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate for the Group's PRC subsidiaries from 33% to 25% commencing 1 January 2008.

Details of deferred taxation are set out in note 37.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | *2008 HK$'000 (restated)* | ***2009 HK$'000*** |
|---|---|---|
| Profit before taxation | 6,867,994 | **2,218,741** |
| Tax at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%) | 1,133,219 | **366,092** |
| Tax effect of expenses not deductible for tax purposes | 36,800 | **24,694** |
| Tax effect of income not taxable for tax purposes | (723,155) | **(49,297)** |
| Tax effect of tax losses not recognised | 22,107 | **14,535** |
| Tax effect of utilisation of and recognition of deferred tax on tax loss not previously recognised | (16,031) | **(5,337)** |
| Tax effect of utilisation of deductible temporary differences not previously recognised | (13) | **—** |
| Tax effect of share of profits of jointly controlled entities and associates | (173,404) | **(184,165)** |
| PRC Enterprise Income Tax on the repayment of the Group's additional cost of investments | 22,889 | **—** |
| Under(over) provision in respect of prior years | 270 | **(3,022)** |
| Decrease in the opening deferred tax liability resulting from a decrease in tax rates | (41,824) | **—** |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 10,403 | **(99)** |
| Deferred tax on undistributed earnings of PRC jointly controlled entities | 68,898 | **56,212** |
| Others | (1,055) | **1,665** |
| Income tax expense for the year | 339,104 | **221,278** |

## 14. DIVIDENDS

| | 2008 HK$'000 | **2009 HK$'000** |
|---|---|---|
| Dividends recognised as distribution during the year | | |
| Cash dividends: | | |
| Final dividend for the year ended 30 June 2008 of HK40 cents per share (2008: for the year ended 30 June 2007 of HK82 cents per share) | 737,658 | **355,626** |
| Special final dividend for the year ended 30 June 2008 of HK110 cents per share (2008: for the year ended 30 June 2007 of HK35 cents per share) | 314,854 | **977,971** |
| Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust *(note 35)* | (838) | **(591)** |
| | 1,051,674 | **1,333,006** |
| Interim dividend for the year ended 30 June 2009 of HK40 cents per share (2008: for the year ended 30 June 2008 of HK55 cents per share) | 493,738 | **352,110** |
| Special interim dividend for the year ended 30 June 2009 of HK330 cents per share (2008: for the year ended 30 June 2008 of HK55 cents per share) | 493,738 | **2,926,867** |
| Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust *(note 35)* | (432) | **(1,329)** |
| | 987,044 | **3,277,648** |
| | 2,038,718 | **4,610,654** |
| Special interim dividend by way of a distribution in specie *(Note)* | — | **384,680** |
| | 2,038,718 | **4,995,334** |
| Dividends proposed | | |
| Final dividend for the year ended 30 June 2009 of HK58 cents per share (2008: for the year ended 30 June 2008 of HK40 cents per share) | 356,168 | **509,790** |
| Special final dividend for the year ended 30 June 2009: Nil (2008: for the year ended 30 June 2008 of HK110 cents per share) | 979,463 | **—** |
| | 1,335,631 | **509,790** |
| Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust *(note 35)* | (591) | **(42)** |
| | 1,335,040 | **509,748** |

*Note:* On 26 February 2009, the Board declared a special interim dividend to be satisfied by way of a distribution of specie of shares in HHI in the proportion of one share in HHI for every whole multiple of 10 shares in the Company held by the shareholders. A total of 88,027,402 HHI shares with an aggregate market value of HK$384,680,000 were recognised as distribution during the year.

The difference between the market value of HK$384,680,000 of shares in HHI being distributed and the carrying amount of the respective interest in HHI of HK$241,108,000 has resulted in a gain on distribution in specie of shares in HHI of HK$143,572,000 which is recognised in the consolidated income statement in current year.

The proposed final dividend of HK58 cents per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

The proposed final dividend is calculated based on the number of shares in issue, less the dividend for shares held by HHL Employees' Share Award Scheme Trust, at the date of approval of these financial statements.

## 15. EARNINGS PER SHARE

| | 2008 HK$'000 (restated) | 2009 HK$'000 |
|---|---|---|
| The calculation of the basic and diluted earnings per share is based on the following data: | | |
| Earnings for the purposes of basic earnings per share | | |
| Profit for the year attributable to equity holders of the Company | 5,978,766 | **1,680,851** |
| Effect of dilutive potential ordinary shares of HHI *(note 35)*: | | |
| Adjustment to the Group's results arising from a dilution of HHI's earnings attributable to share options issued and shares awarded | (651) | **—** |
| Earnings for the purposes of diluted earnings per share | 5,978,115 | **1,680,851** |

| | Number of shares | Number of shares |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 897,350,773 | **883,705,880** |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 3,091,655 | **392,960** |
| Award shares | 513,355 | **255,496** |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 900,955,783 | **884,354,336** |

The weighted average number of ordinary shares shown above has been arrived at after deducting 72,000 shares (2008: 394,000 shares) held by HHL Employees' Share Award Scheme Trust as set out in note 35.

## 16. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

### (a) Directors' emoluments

Certain directors of the Company are also directors of HHI. The emoluments paid or payable by HHI group to those directors are as follows:

| | Year ended 30 June 2009 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Basic salaries allowances & benefits in kind HK$'000 | Share based Payments HK$'000 | Contributions to provident fund schemes HK$'000 | Total HK$'000 |
| Sir Gordon Ying Sheung WU | 300 | 3,000 | — | — | 3,300 |
| Mr. Eddie Ping Chang HO | 250 | 2,400 | — | — | 2,650 |
| Mr. Thomas Jefferson WU | 200 | 1,794 | — | 12 | 2,006 |
| Mr. Barry Chung Tat MOK | 200 | — | — | — | 200 |
| Mr. Lee Yick NAM | 200 | — | — | — | 200 |
| | 1,150 | 7,194 | — | 12 | 8,356 |

The emoluments paid or payable by the Group, other than by the HHI group, to the Company's directors are as follows:

| | Year ended 30 June 2009 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Basic salaries allowances & benefits in kind HK$'000 | Share based Payments HK$'000 | Contributions to provident fund schemes HK$'000 | Total HK$'000 |
| Sir Gordon Ying Sheung WU | 300 | 1,500 | — | — | 1,800 |
| Mr. Eddie Ping Chang HO | 250 | 1,092 | — | — | 1,342 |
| Mr. Thomas Jefferson WU | 200 | 1,560 | — | 12 | 1,772 |
| Mr. Josiah Chin Lai KWOK | 200 | 3,000 | 606 | 12 | 3,818 |
| Mr. Henry Hin Moh LEE | 200 | 1,000 | — | — | 1,200 |
| Mr. Robert Van Jin NIEN | 200 | 1,430 | 242 | 12 | 1,884 |
| Mr. Guy Man Guy WU | 200 | — | — | — | 200 |
| Lady WU Ivy Sau Ping KWOK | 200 | — | — | — | 200 |
| Ms. Linda Lai Chuen LOKE | 200 | — | — | — | 200 |
| Mr. Albert Kam Yin YEUNG | 200 | 1,638 | 404 | 12 | 2,254 |
| Mr. Barry Chung Tat MOK | 200 | 1,992 | 337 | 12 | 2,541 |
| Mr. David Yau-gay LUI | 200 | — | — | — | 200 |
| Mr. Camelo Ka Sze LEE | 200 | — | — | — | 200 |
| Mr. Eddie Wing Chuen HO Junior | 200 | 819 | 242 | 12 | 1,273 |
| Mr. Lee Yick NAM | 200 | — | — | — | 200 |
| Mr. William Wing Lam WONG | 200 | 1,720 | 601 | 12 | 2,533 |
| | 3,350 | 15,751 | 2,432 | 84 | 21,617 |

## 16. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (continued)

### (a) Directors' emoluments continued

The emoluments paid or payable by the Group, including the HHI group, to the Company's directors are as follows:

| | Year ended 30 June 2009 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Basic salaries allowances & benefits in kind HK$'000 | Share based Payments HK$'000 | Contributions to provident fund schemes HK$'000 | Total HK$'000 |
| Sir Gordon Ying Sheung WU | 600 | 4,500 | — | — | 5,100 |
| Mr. Eddie Ping Chang HO | 500 | 3,492 | — | — | 3,992 |
| Mr. Thomas Jefferson WU | 400 | 3,354 | — | 24 | 3,778 |
| Mr. Josiah Chin Lai KWOK | 200 | 3,000 | 606 | 12 | 3,818 |
| Mr. Henry Hin Moh LEE | 200 | 1,000 | — | — | 1,200 |
| Mr. Robert Van Jin NIEN | 200 | 1,430 | 242 | 12 | 1,884 |
| Mr. Guy Man Guy WU | 200 | — | — | — | 200 |
| Lady WU Ivy Sau Ping KWOK | 200 | — | — | — | 200 |
| Ms. Linda Lai Chuen LOKE | 200 | — | — | — | 200 |
| Mr. Albert Kam Yin YEUNG | 200 | 1,638 | 404 | 12 | 2,254 |
| Mr. Barry Chung Tat MOK | 400 | 1,992 | 337 | 12 | 2,741 |
| Mr. David Yau-gay LUI | 200 | — | — | — | 200 |
| Mr. Camelo Ka Sze LEE | 200 | — | — | — | 200 |
| Mr. Eddie Wing Chuen HO Junior | 200 | 819 | 242 | 12 | 1,273 |
| Mr. Lee Yick NAM | 400 | — | — | — | 400 |
| Mr. William Wing Lam WONG | 200 | 1,720 | 601 | 12 | 2,533 |
| | 4,500 | 22,945 | 2,432 | 96 | 29,973 |

## 16. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (continued)

### (a) Directors' emoluments continued

Certain directors of the Company are also directors of HHI. The emoluments paid or payable by HHI group to those directors are as follows:

| | Year ended 30 June 2008 | | | | |
|---|---|---|---|---|---|
| | *Directors' fees HK$'000* | *Basic salaries allowances & benefits in kind HK$'000* | *Share based Payments HK$'000* | *Contributions to provident fund schemes HK$'000* | *Total HK$'000* |
| Sir Gordon Ying Sheung WU | 300 | 3,000 | — | — | 3,300 |
| Mr. Eddie Ping Chang HO | 250 | 2,400 | — | — | 2,650 |
| Mr. Thomas Jefferson WU | 200 | 1,794 | — | 12 | 2,006 |
| Mr. Barry Chung Tat MOK | 200 | — | — | — | 200 |
| Mr. Lee Yick NAM | 200 | — | — | — | 200 |
| Mr. Yuk Keung IP | 200 | — | — | — | 200 |
| | 1,350 | 7,194 | — | 12 | 8,556 |

The emoluments paid or payable by the Group, other than by the HHI group, to the Company's directors are as follows:

| | Year ended 30 June 2008 | | | | |
|---|---|---|---|---|---|
| | *Directors' fees HK$'000* | *Basic salaries allowances & benefits in kind HK$'000* | *Share based Payments HK$'000* | *Contributions to provident fund schemes HK$'000* | *Total HK$'000* |
| Sir Gordon Ying Sheung WU | 300 | 1,500 | — | — | 1,800 |
| Mr. Eddie Ping Chang HO | 250 | 1,092 | — | — | 1,342 |
| Mr. Thomas Jefferson WU | 200 | 1,560 | — | 12 | 1,772 |
| Mr. Josiah Chin Lai KWOK | 200 | 3,000 | 2,338 | 12 | 5,550 |
| Mr. Henry Hin Moh LEE | 200 | 1,000 | — | — | 1,200 |
| Mr. Robert Van Jin NIEN | 200 | 1,430 | 935 | 12 | 2,577 |
| Mr. Guy Man Guy WU | 200 | — | — | — | 200 |
| Lady WU Ivy Sau Ping KWOK | 200 | — | — | — | 200 |
| Ms. Linda Lai Chuen LOKE | 200 | — | — | — | 200 |
| Mr. Albert Kam Yin YEUNG | 200 | 1,638 | 1,559 | 12 | 3,409 |
| Mr. Barry Chung Tat MOK | 200 | 1,992 | 2,205 | 12 | 4,409 |
| Mr. David Yau-gay LUI | 200 | — | — | — | 200 |
| Mr. Camelo Ka Sze LEE | 200 | — | — | — | 200 |
| Mr. Andy Lee Ming CHEUNG | 60 | 1,444* | 2,750 | 4 | 4,258 |
| Mr. Eddie Wing Chuen HO Junior | 200 | 819 | 935 | 12 | 1,966 |
| Mr. Lee Yick NAM | 200 | — | — | — | 200 |
| Mr. William Wing Lam WONG | 200 | 1,720 | 1,299 | 12 | 3,231 |
| Mr. Yuk Keung IP | 200 | — | — | — | 200 |
| | 3,610 | 17,195 | 12,021 | 88 | 32,914 |

* Including discretionary bonus of HK$800,000.

## 16. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (continued)

### (a) Directors' emoluments continued

The emoluments paid or payable by the Group, including the HHI group, to the Company's directors are as follows:

| | *Year ended 30 June 2008* | | | | |
|---|---|---|---|---|---|
| | *Directors' fees HK$'000* | *Basic salaries allowances & benefits in kind HK$'000* | *Share based Payments HK$'000* | *Contributions to provident fund schemes HK$'000* | *Total HK$'000* |
| Sir Gordon Ying Sheung WU | 600 | 4,500 | — | — | 5,100 |
| Mr. Eddie Ping Chang HO | 500 | 3,492 | — | — | 3,992 |
| Mr. Thomas Jefferson WU | 400 | 3,354 | — | 24 | 3,778 |
| Mr. Josiah Chin Lai KWOK | 200 | 3,000 | 2,338 | 12 | 5,550 |
| Mr. Henry Hin Moh LEE | 200 | 1,000 | — | — | 1,200 |
| Mr. Robert Van Jin NIEN | 200 | 1,430 | 935 | 12 | 2,577 |
| Mr. Guy Man Guy WU | 200 | — | — | — | 200 |
| Lady WU Ivy Sau Ping KWOK | 200 | — | — | — | 200 |
| Ms. Linda Lai Chuen LOKE | 200 | — | — | — | 200 |
| Mr. Albert Kam Yin YEUNG | 200 | 1,638 | 1,559 | 12 | 3,409 |
| Mr. Barry Chung Tat MOK | 400 | 1,992 | 2,205 | 12 | 4,609 |
| Mr. David Yau-gay LUI | 200 | — | — | — | 200 |
| Mr. Camelo Ka Sze LEE | 200 | — | — | — | 200 |
| Mr. Andy Lee Ming CHEUNG | 60 | 1,444* | 2,750 | 4 | 4,258 |
| Mr. Eddie Wing Chuen HO Junior | 200 | 819 | 935 | 12 | 1,966 |
| Mr. Lee Yick NAM | 400 | — | — | — | 400 |
| Mr. William Wing Lam WONG | 200 | 1,720 | 1,299 | 12 | 3,231 |
| Mr. Yuk Keung IP | 400 | — | — | — | 400 |
| | 4,960 | 24,389 | 12,021 | 100 | 41,470 |

* Including discretionary bonus of HK$800,000.

Mr. Andy Lee Ming CHEUNG resigned as an executive director of the Company with effect from 18 October 2007. Mr. Yuk Keung IP was appointed and resigned as an independent non-executive director of the Company with effect from 13 August 2007 and 29 February 2008 respectively.

Other than fees of HK$800,000 (2008: HK$1,200,000) paid or payable to the independent non-executive directors which have been included above, no remuneration was paid or is payable to such directors.

### (b) Highest paid employees' emoluments

The five individuals in the Group with the highest emoluments are the directors of the Company and details of their emoluments have been disclosed above.

## 17. INVESTMENT PROPERTIES

| | The Group | |
|---|---|---|
| | 2008<br>HK$'000 | 2009<br>HK$'000 |
| Investment properties at fair value | | |
| At beginning of the year | 6,870,499 | **8,031,300** |
| Additions | 326,604 | **35,159** |
| Acquisition of a subsidiary *(Note (b))* | — | **210,000** |
| Reclassified from (to): | | |
| properties under development and prepaid land lease payments *(Note (c))* | 137,578 | **322,042** |
| property, plant and equipment and prepaid land lease payments *(Note (d))* | 54,877 | **(79,007)** |
| Gain recognised on transfer of property to investment properties upon completion of development | 371,408 | **510,847** |
| Gain arising from changes in fair value of investment properties | 270,334 | **209,359** |
| At end of the year | 8,031,300 | **9,239,700** |

The Group's investment properties comprise:

| | 2008<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|
| Land and buildings in Hong Kong on | | |
| Long leases | 4,029,000 | **5,184,800** |
| Medium-term leases | 4,002,300 | **4,054,900** |
| | 8,031,300 | **9,239,700** |

*Notes:*

(a) All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) During the year ended 30 June 2009, the Group acquired investment properties of HK$210 million through the acquisition of a subsidiary from certain directors of the Company, details of the acquisition are disclosed in note 38.

(c) The development of a property of the Group was completed during the year. Such property, which is held to earn rentals and/or for capital appreciation purposes, has been reclassified from properties under development and prepaid land lease payments with total carrying amounts of HK$322 million (2008: HK$138 million) to investment properties. Gain recognised on transfer of completed property to investment properties amounting to HK$511 million (2008: HK$371 million) has been recognised in the consolidated income statement of the Group for the current year.

(d) During the year ended 30 June 2009, certain investment properties with an aggregate fair value of HK$79 million were reclassified to property, plant and equipment.

During the year ended 30 June 2008, certain properties with an aggregate fair value of HK$55 million were reclassified to investment properties, from property, plant and equipment and prepaid land lease payments. The difference between the fair value of these properties and their carrying value at the date of transfer amounting to HK$13 million has been dealt with in property revaluation reserve.

(e) The fair value of the Group's investment properties at 30 June 2009 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professional property valuers not connected to the Group. For office premises, serviced apartments, car parks and retail outlets, the valuation is arrived at by using direct comparison method by making reference to comparable sales transactions as available in the relevant market or, where appropriate, by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. For convention and exhibition venue, the valuation is arrived at by capitalising the estimated annual net income, and based on valuer's opinion as to the future trading potential and level of turnover likely to be achieved.

## 18. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings in Hong Kong | | | |
|---|---|---|---|---|
| | Hotel property HK$'000 | Other properties HK$'000 | Other assets HK$'000 | Total HK$'000 |
| **The Group** | | | | |
| **COST** | | | | |
| At 1 July 2007 | 369,543 | 179,184 | 339,659 | 888,386 |
| Additions | — | 21,028 | 74,301 | 95,329 |
| Reclassified to investment properties | — | (35,694) | — | (35,694) |
| Disposals | — | — | (5,794) | (5,794) |
| At 30 June 2008 | 369,543 | 164,518 | 408,166 | 942,227 |
| Additions | — | 684 | 57,073 | 57,757 |
| Transfer from investment properties | — | 79,007 | — | 79,007 |
| Disposals | — | — | (10,736) | (10,736) |
| **At 30 June 2009** | **369,543** | **244,209** | **454,503** | **1,068,255** |
| **DEPRECIATION** | | | | |
| At 1 July 2007 | 118,255 | 54,314 | 267,301 | 439,870 |
| Provided for the year | 7,391 | 3,461 | 25,743 | 36,595 |
| Eliminated on reclassification | — | (9,511) | — | (9,511) |
| Eliminated on disposals | — | — | (5,100) | (5,100) |
| At 30 June 2008 | 125,646 | 48,264 | 287,944 | 461,854 |
| Provided for the year | 7,391 | 4,602 | 34,688 | 46,681 |
| Eliminated on disposals | — | — | (10,317) | (10,317) |
| **At 30 June 2009** | **133,037** | **52,866** | **312,315** | **498,218** |
| **CARRYING VALUES** | | | | |
| At 30 June 2008 | 243,897 | 116,254 | 120,222 | 480,373 |
| **At 30 June 2009** | **236,506** | **191,343** | **142,188** | **570,037** |

An analysis of the carrying values of the land and buildings in Hong Kong is as follows:

| | The Group | |
|---|---|---|
| | 2008 HK$'000 | **2009 HK$'000** |
| Hotel property on land under medium-term leases | 243,897 | **236,506** |
| Other properties on land under | | |
| Long leases | 15,494 | **93,155** |
| Medium-term leases | 100,760 | **98,188** |
| | 116,254 | **191,343** |

The above items of property, plant and equipment are depreciated over their estimated useful lives from the date on which they become available for their intended use and after taking into account their estimated residual value, using the straight-line method, as follows:

| *Category of assets* | *Estimated useful lives* |
|---|---|
| Buildings | 50 years or the remaining term of the lease of the land on which the buildings are located, whichever is shorter |
| Other assets | 3 to 10 years |

## 19. PREPAID LAND LEASE PAYMENTS

| | The Group | |
|---|---|---|
| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
| The Group's prepaid land lease payments comprise: | | |
| Leasehold land in Hong Kong on | | |
| Long leases | 863,671 | **806,710** |
| Medium-term leases | 116,320 | **113,347** |
| | 979,991 | **920,057** |
| Analysed for reporting purposes as | | |
| Non-current asset | 969,341 | **909,485** |
| Current asset | 10,650 | **10,572** |
| | 979,991 | **920,057** |

## 20. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
| Unlisted shares | | |
| At cost less impairment | 870,552 | **895,426** |
| Shares listed in Hong Kong, at cost | 53,948 | — |
| | 924,500 | **895,426** |
| Market value of listed shares | 52,082 | — |

Particulars of the principal subsidiaries are set out in note 47.

## 21. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries classified under non-current assets are interest free, unsecured and with no fixed repayment terms except for the aggregate principal amount of HK$914 million (2008: HK$724 million) which are repayable in 2013. In the opinion of the directors, based on their assessment as at 30 June 2009 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repayable within one year from the balance sheet date, accordingly these amounts are classified as non-current. The effective interest rate on the amounts due from subsidiaries in respect of the year ranged from 1.5% to 2.4% (2008: 3.3% to 5.8%) per annum, representing the borrowing rates of the relevant subsidiaries.

## 22. PROPERTIES UNDER DEVELOPMENT

| | The Group | |
|---|---|---|
| | 2008<br>HK$'000 | **2009**<br>**HK$'000** |
| **COST** | | |
| At beginning of the year | 335,653 | **442,648** |
| Additions | 221,361 | **209,494** |
| Transfer to investment properties | (114,366) | **(270,359)** |
| At end of the year | 442,648 | **381,783** |

Included in the cost of properties under development is net interest capitalised totalling HK$31.2 million (2008: HK$55.4 million).

## 23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | The Group | |
|---|---|---|
| | 2008<br>HK$'000<br>(restated) | **2009**<br>**HK$'000** |
| Expressway projects in the PRC | | |
| Unlisted investments, at cost | | |
| Registered capital contribution | 1,089,843 | **1,201,821** |
| Additional cost of investments | 2,756,569 | **2,745,309** |
| | 3,846,412 | **3,947,130** |
| Share of post-acquisition reserves | 1,736,979 | **2,873,159** |
| Less: Accumulated amortisation | (698,316) | **(782,922)** |
| | 4,885,075 | **6,037,367** |
| Power plant project in the PRC | | |
| Unlisted investment, at cost | | |
| Registered capital contribution | 631,867 | **631,867** |
| Share of post-acquisition reserves | 32,411 | **23,711** |
| | 664,278 | **655,578** |
| Other unlisted investments | 11,459 | **12,053** |
| | 5,560,812 | **6,704,998** |

As referred to in note 9, the Group disposed of certain of its jointly controlled entities during the year ended 30 June 2008.

## 23. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Particulars of the Group's principal jointly controlled entities at 30 June 2009 are as follows:

| *Name of company* | *Issued capital/ registered capital* | *Principal activity* | *Proportion of issued/registered capital held by the Group* |
|---|---|---|---|
| *Incorporated in Hong Kong:* | | | |
| Hong Kong Bowling City Limited | 10,250,000 "A" shares of HK$1 each<br>10,250,000 "B" shares of HK$1 each | Operation of a bowling center | 50% |
| Grand Site Development Limited | 2 shares of HK$1 each | Development and property investment | 50% |
| *Established in the PRC:* | | | |
| Guangzhou–Shenzhen–Zhuhai Superhighway Company Limited | Nil *(Note a)* | Development, operation and management of an expressway | Not applicable |
| Guangdong Guangzhou–Zhuhai West Superhighway Company Limited ("West Route JV") | RMB2,303,000,000 | Development, operation and management of an expressway | 50% |
| SEC & Hopewell Power (Heyuan) Co., Ltd. | RMB1,560,000,000 | Development and operation of a power plant | 40% |

Details of the principal jointly controlled entities at the balance sheet date are as follows:

### (a) Phase I of the Guangzhou-Shenzhen-Zhuhai Superhighway ("GS Superhighway")

The GS Superhighway is undertaken by GS Superhighway JV, a joint venture company established in the PRC. The operation period is 30 years from the GS Superhighway's official opening date on 1 July 1997. The Group's entitlement to the profit of the toll operations of the GS Superhighway JV is 50% for the initial ten years, 48% for the next ten years and 45% for the last ten years of the operation period. At the end of the operation period, all the immovable assets and facilities of GS Superhighway JV will be reverted to the PRC joint venture partner without compensation.

The Group is entitled to the repayment of the total registered capital of HK$702 million contributed by the Group to GS Superhighway JV. The registered capital of HK$702 million and the expenditure for the construction of GS Superhighway to the extent of RMB725 million (approximately HK$736 million) previously incurred by the Group have been repaid to the Group by GS Superhighway JV during the year ended 30 June 2008.

## 23. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

### (b) Western Delta Route

West Route JV is established to undertake the development, operation and management of an expressway linking Guangzhou, Zhongshan and Zhuhai ("Western Delta Route"). Phase I of Western Delta Route ("Phase I West") was officially opened on 30 April 2004 and the operation period for Phase I West is 30 years commencing from 17 September 2003. The total investment for the Phase I West is RMB1,680 million, 35% of which was funded by the registered capital of West Route JV amounting to RMB588 million (equivalent to approximately HK$669 million), which had been contributed by the Group and the PRC joint venture partner of West Route JV in equal share (i.e. each to contribute RMB294 million).

The estimated total investment for the Phase II of Western Delta Route ("Phase II West") is RMB4,900 million, 35% of which was funded by an increase in the registered capital of West Route JV by RMB1,715 million in total contributed by the Group and the PRC joint venture partner of West Route JV in equal share. The expiration date of the joint venture co-operation period for the West Route JV has been extended from 16 September 2033 to 16 September 2038. As at 30 June 2009, the approved registered capital of West Route JV was RMB2,303 million.

The Group is entitled to 50% of the distributable profits from operation of West Route JV. At the end of the joint venture co-operation period, all the immovable assets and facilities of West Route JV will be reverted to the relevant PRC government authority which regulates transportation without compensation. The registered capital contributions are required to be repaid to both the Group and PRC joint venture partner. The repayments are required to be approved by the board of directors of West Route JV.

In September 2005, the Group conditionally amended the agreements with the PRC joint venture partner of West Route JV for the investment in and the planning, design, development and operation of the Phase III of Western Delta Route ("Phase III West") through West Route JV (the "2005 Phase III Amendment Agreements"). Subject to approval of the relevant PRC authorities, the estimated total investment for Phase III West is RMB3,260 million, 35% of which is to be funded by an increase in the registered capital of West Route JV by RMB1,141 million in total to be contributed by the Group and the PRC joint venture partner of West Route JV in equal share (i.e. each to contribute RMB570.5 million).

On 2 September 2008, the Group entered into amendment agreements in relation to Phase III West with the PRC joint venture partner, to adjust the total investment for Phase III West to RMB5,600 million, instead of RMB3,260 million as contemplated under the 2005 Phase III Amendment Agreements (the "2008 Phase III Amendment Agreements", which effectively replaced the 2005 Phase III Amendment Agreements). 35% of the adjusted total investment will be funded by an increase in the registered capital of West Route JV by RMB1,960 million to be contributed by the Group and the PRC joint venture partner in equal share. The adjusted total capital contribution thereon to be made by the Group to West Route JV for the development of Phase III West will be RMB980 million, instead of RMB570.5 million as contemplated under the 2005 Phase III Amendment Agreements. The 2008 Phase III Amendment Agreements have been approved by the shareholders of the Company and HHI during the year ended 30 June 2009 and are being processed by the relevant PRC authorities as at the date of this report.

On 2 September 2008, the Group entered into amendment agreements in relation to Phase II West with the PRC joint venture partner, subject to the approval of the Company's and HHI's shareholders and the relevant PRC authorities, to increase the total investment for Phase II West by RMB2,300 million to RMB7,200 million. 35% of the increase in total investment will be funded by an increase in the registered capital of West Route JV by RMB805 million to be contributed by the Group and the PRC joint venture partner in equal share. The additional capital contribution thereon to be made by the Group to West Route JV for the development of Phase II West is RMB403 million. The amendment agreements have been approved by the shareholders of the Company and HHI during the year ended 30 June 2009 and are being processed by the relevant PRC authorities as at the date of this report.

After obtaining approval from the relevant PRC authorities, the registered capital of West Route JV will be RMB5,068 million.

## 23. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

### (c) Power plant project in Heyuan City of Guangdong Province, the PRC

Pursuant to a co-operation agreement entered into between the Group and a PRC enterprise, a joint venture company, SEC & Hopewell Power (Heyuan) Co., Ltd. ("Heyuan Power JV"), was established in the PRC during the year ended 30 June 2008 for the joint development of a 2X600 MW power plant in Heyuan City of Guangdong Province, the PRC. The operation period of Heyuan Power JV is 30 years from 14 September 2007, the date of its establishment, and the Group is entitled to 40% of the results from the operation of the power plant.

The summarised financial information in respect of the Group's share of the assets, liabilities, income and expenses of its jointly controlled entities which are accounted for using the equity method is set out below:

| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
|---|---|---|
| Current assets | 377,184 | **418,588** |
| Non-current assets | 9,626,604 | **11,193,563** |
| Current liabilities | 1,847,279 | **1,283,895** |
| Non-current liabilities | 5,150,799 | **5,914,741** |
| Income | 3,468,652 | **4,196,917** |
| Expenses | 2,242,975 | **2,178,406** |

### Currency risk exposure associated with the jointly controlled entities of the Group

As at 30 June 2009 and 2008, certain jointly controlled entities of the Group had outstanding bank loans denominated in Hong Kong dollars and United States dollars that are not the functional currency of those jointly controlled entities (i.e. RMB). The results of the Group's jointly controlled entities are accounted for using the equity method of accounting such that the foreign currency risk associated with foreign currency borrowings exposed by the jointly controlled entities is reflected in the share of results of jointly controlled entities. Therefore, if exchange rate of RMB against Hong Kong dollars/United States dollars had been strengthened/weakened by 5%, the share of profits of the related jointly controlled entities for the current year would increase/decrease by HK$133.9 million (2008: would increase/decrease by HK$140.8 million). The sensitivity analyses assumed the amounts outstanding at the balance sheet date were outstanding for the whole year and held constant throughout the financial year.

Taking into account both the Group's foreign currency risk as explained in note 46(b)(i) and the above foreign currency risk exposed by the jointly controlled entities, the Group's profit for the current year would increase/decrease by HK$40.5 million (2008: would increase/decrease by HK$214.7 million) if exchange rate of RMB against Hong Kong dollars/United States dollars had been strengthened/weakened by 5%.

## 24. INTERESTS IN ASSOCIATES

| | *The Group* | |
|---|---|---|
| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
| Cost of investments, unlisted | 505 | **305** |
| Share of post-acquisition profits and reserves, net of dividends received | 22,328 | **26,737** |
| | 22,833 | **27,042** |

## 24. INTERESTS IN ASSOCIATES (continued)

| | The Company | |
|---|---|---|
| | 2008<br>HK$'000 | **2009<br>HK$'000** |
| Unlisted shares, at cost | 401 | **401** |

Particulars of the principal associates are set out in note 48.

The summarised financial information in respect of the Group's associates is set out below:

| | 2008<br>HK$'000 | **2009<br>HK$'000** |
|---|---|---|
| Total assets | 83,982 | **84,439** |
| Total liabilities | (24,623) | **(24,004)** |
| Net assets | 59,359 | **60,435** |
| Group's share of net assets of associates | 22,833 | **27,042** |
| Revenue | 18,071 | **16,468** |
| Profit for the year | 7,563 | **8,525** |
| Group's share of profits of associates for the year | 6,743 | **6,858** |

## 25. AVAILABLE-FOR-SALE INVESTMENTS

| | The Group | |
|---|---|---|
| | 2008<br>HK$'000 | **2009<br>HK$'000** |
| Equity securities, at fair value | | |
| Listed in Hong Kong | 20,350 | **—** |
| Listed outside Hong Kong | 41,549 | **30,121** |
| | 61,899 | **30,121** |
| Unlisted equity investments, at cost | 3,197 | **3,197** |
| | 65,096 | **33,318** |
| Market value of listed equity securities | 61,899 | **30,121** |

| | The Company | |
|---|---|---|
| | 2008<br>HK$'000 | **2009<br>HK$'000** |
| Unlisted equity investments, at cost | 3,000 | **3,000** |

The fair values of the listed equity securities have been determined by reference to the bid prices quoted on the relevant stock exchanges.

The unlisted equity investments are measured at cost because the directors of the Company are of the opinion that the range of reasonable fair value estimates is so significant that their fair value cannot be measured reliably.

## 26. LOAN TO A JOINTLY CONTROLLED ENTITY

At 30 June 2008, the loan to a jointly controlled entity carried interest chargeable at Hong Kong prime rate and was unsecured and repaid out of the net cash surplus from the operations of the jointly controlled entity.

At 30 June 2009, the loan to a jointly controlled entity is unsecured, interest free and not expected to be repayable within one year after the balance sheet date.

## 27. INVENTORIES

| | The Group | |
|---|---|---|
| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
| Hotel and restaurant inventories | 18,457 | **15,333** |

The cost of inventories recognised as an expense during the year amounted to HK$124,646,000 (2008: HK$130,091,000).

## 28. STOCK OF PROPERTIES

| | The Group | |
|---|---|---|
| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
| Properties for sale | | |
| Under development | 364,525 | **407,596** |
| Completed | 17,593 | **96,254** |
| | 382,118 | **503,850** |

The cost of properties recognised as an expense during the year amounted to HK$1,930,000 (2008: HK$8,227,000).

The properties under development are not expected to be substantially realised within one year from the balance sheet date.

## 29. TRADE AND OTHER RECEIVABLES

Other than rentals receivable, which are payable upon presentation of invoices, the Group allows an average credit period of 15 to 60 days to its trade customers.

The following is an analysis of trade and other receivables net of allowances for doubtful debts at the balance sheet date:

| | The Group | |
|---|---|---|
| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
| Receivables aged | | |
| 0–30 days | 18,039 | **19,578** |
| 31–60 days | 8,005 | **4,815** |
| Over 60 days | 7,232 | **5,277** |
| | 33,276 | **29,670** |
| Less: Allowance for doubtful debts | (1,136) | **(751)** |
| | 32,140 | **28,919** |
| Interest receivable on bank deposits | 4,769 | **192** |
| Dividend receivable from a jointly controlled entity | 1,080,454 | **—** |
| | 1,117,363 | **29,111** |

## 29. TRADE AND OTHER RECEIVABLES (continued)

The Group has provided fully for all trade receivables past due beyond 90 days because, based on historical experience, it is not probable that such receivables are recoverable.

Included in the Group's trade receivable balance are debtors with carrying amount of HK$13,027,000 (2008: HK$15,578,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

| | *2008 HK$'000* | ***2009 HK$'000*** |
|---|---|---|
| 0–30 days | 13,071 | **11,687** |
| 31–60 days | 2,277 | **804** |
| Over 60 days | 230 | **536** |
| Total | 15,578 | **13,027** |

Movement in the allowance for doubtful debts

| | *2008 HK$'000* | ***2009 HK$'000*** |
|---|---|---|
| Balance at beginning of the year | 1,670 | **1,136** |
| Reversal of impairment losses | (449) | **(184)** |
| Amounts written off as uncollectible | (85) | **(201)** |
| Balance at end of the year | 1,136 | **751** |

## 30. BANK BALANCES AND CASH

### The Group

Bank balances and cash comprise cash held by the Group and bank deposits with maturity of three months or less which carry interest at market rates ranged from 0.02% for HK$ deposits to 1.17% for RMB deposits (2008: 0.8% to 2.2%) per annum.

Included in bank balances and cash are bank deposits held by subsidiaries amounting to approximately RMB111 million (2008: RMB334 million), US$128 million (2008: US$391 million) and HK$1,998 million (2008: HK$3 million) which are denominated in currencies other than the functional currencies of the respective subsidiaries.

### The Company

Bank balances and cash comprise cash held by the Company and bank deposits with maturity of three months or less which carry interest at market rates ranged from 0.02% to 0.29% (2008: 0.02% to 2.2%) per annum.

Included in bank balances and cash are bank deposit amounting to approximately US$18 million at 30 June 2009 which was denominated in currency other than the functional currency of the Company.

## 31. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables outstanding at the balance sheet date:

| | *The Group* | |
|---|---|---|
| | *2008* *HK$'000* | ***2009*** ***HK$'000*** |
| Payables due | | |
| 0–30 days | 226,141 | **147,591** |
| 31–60 days | 5,109 | **2,561** |
| Over 60 days | 79,299 | **85,317** |
| | 310,549 | **235,469** |
| Retentions payable | 36,004 | **36,309** |
| Accrued construction costs | 127,148 | **82,219** |
| Accrued long service payment and leave pay | 15,299 | **16,554** |
| | 489,000 | **370,551** |

The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Of the retention payable, an amount of HK$20,997,000 (2008: HK$15,969,000) is due beyond twelve months.

## 32. AMOUNTS DUE TO ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

### The Group

The amount due to a jointly controlled entity is unsecured, interest free and repayable on demand.

### The Group and the Company

The amounts due to associates are unsecured, interest free and repayable on demand.

## 33. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from subsidiaries classified under current assets and the amounts due to subsidiaries are both unsecured, interest free and repayable within one year or on demand.

## 34. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is interest-free and unsecured.

The principal amount due to the minority shareholder of HK$79 million had been initially reduced to its present value of HK$60 million based on management's estimates of future cash payments with a corresponding adjustment of approximately HK$19 million which was regarded as a deemed contribution from the minority shareholder during the year ended 30 June 2008. The effective interest rate adopted for measurement at fair value at initial recognition of the amount due to a minority shareholder of a subsidiary in respect of the year is 3.25%, representing the borrowing rate of the subsidiary.

## 35. SHARE CAPITAL

| | Number of shares | | Nominal value | |
|---|---|---|---|---|
| | 2008 '000 | **2009 '000** | 2008 HK$'000 | **2009 HK$'000** |
| **The Group and the Company** | | | | |
| Ordinary shares of HK$2.50 each | | | | |
| Authorised | 1,200,000 | **1,200,000** | 3,000,000 | **3,000,000** |
| Issued and fully paid | | | | |
| At beginning of the year | 899,383 | **892,322** | 2,248,458 | **2,230,806** |
| Issued during the year | 1,413 | **2,262** | 3,533 | **5,655** |
| Repurchased during the year | (8,474) | **(15,635)** | (21,185) | **(39,088)** |
| At end of the year | 892,322 | **878,949** | 2,230,806 | **2,197,373** |

During the year ended 30 June 2009, the Company issued 1,900,000 and 362,000 ordinary shares at the subscription prices of HK$19.94 each and HK$22.44 each, respectively, for a total cash consideration of HK$46 million upon the exercise of the share options previously granted.

During the year ended 30 June 2008, the Company issued 200,000, 100,000 and 1,113,400 ordinary shares at subscription price of HK$17.10 each, HK$19.94 each and HK$22.44 each, respectively, for a total cash consideration of HK$30 million upon the exercise of the share options previously granted.

These shares rank *pari passu* in all respects with the existing ordinary shares.

During the year, the Company repurchased 15,635,000 (2008: 8,474,000) ordinary shares of the Company on the Hong Kong Stock Exchange, as follows:

| Month | Number of ordinary shares repurchased '000 | Purchase price per share Highest HK$ | Purchase price per share Lowest HK$ | Total consideration paid (including transaction costs) HK$'000 |
|---|---|---|---|---|
| **2009** | | | | |
| July 2008 | 743 | 27.35 | 25.65 | 19,619 |
| August 2008 | 1,159 | 30.10 | 27.80 | 33,957 |
| September 2008 | 1,637 | 28.10 | 25.15 | 44,425 |
| October 2008 | 4,080 | 26.40 | 19.60 | 88,440 |
| November 2008 | 2,438 | 23.85 | 18.80 | 51,583 |
| December 2008 | 2,806 | 25.00 | 19.16 | 63,880 |
| January 2009 | 1,447 | 25.00 | 21.50 | 33,418 |
| April 2009 | 1,325 | 19.98 | 19.46 | 26,146 |
| | 15,635 | | | 361,468 |
| **2008** | | | | |
| November 2007 | 62 | 34.65 | 33.65 | 2,130 |
| December 2007 | 20 | 33.30 | 33.30 | 668 |
| January 2008 | 1,712 | 35.50 | 30.70 | 55,966 |
| March 2008 | 3,767 | 32.50 | 26.15 | 110,594 |
| April 2008 | 1,806 | 34.05 | 29.40 | 56,343 |
| May 2008 | 161 | 33.90 | 32.85 | 5,416 |
| June 2008 | 946 | 32.50 | 28.25 | 28,177 |
| | 8,474 | | | 259,294 |

These repurchases were effected by the directors pursuant to the mandate from the shareholders with a view to benefiting the shareholders as a whole by the enhancement of the earnings per share of the Group.

At 30 June 2009, the Company's 72,000 (2008: 394,000) issued shares with an aggregate nominal value of HK$180,000 (2008: HK$985,000) were held by HHL Employees' Share Award Scheme Trust (see note on share award scheme below). In accordance with the trust deed of the HHL Employees' Share Award Scheme Trust, the relevant trustee shall not exercise the voting rights attached to such shares.

## 35. SHARE CAPITAL (continued)

### Share option schemes

**(a) The Company**

In 2003, the Company adopted a share option scheme ("HHL 2003 Scheme") which is effective for a period of 10 years. The principal purpose of this scheme is to provide incentives to directors and any eligible persons the Board may approve from time to time. The Board is authorised under the share option scheme to grant options to executive directors and employees of the Company or any of its subsidiaries and persons specified in the scheme document to subscribe for shares in the Company.

Under the HHL 2003 Scheme, options granted must be taken up within 14 days from the date of the offer letter upon the payment of HK$1 per each grant of option, payable as consideration on acceptance, which is recognised in the consolidated income statement when received.

The following table discloses details of share options which were granted by the Company at nominal consideration and movements in such holdings:

| Date of grant | Subscription price per share HK$ | Number of shares under options granted: Outstanding at 1 July 2007 | Movements during the year: Granted | Movements during the year: Exercised | Movements during the year: Lapsed | At 30 June 2008: Outstanding | At 30 June 2008: Exercisable | Weighted average share price at the date of exercise HK$ |
|---|---|---|---|---|---|---|---|---|
| *Directors* | | | | | | | | |
| 8 September 2004 | 17.10 | 200,000 | — | (200,000) | — | — | — | 30.85 |
| 2 September 2005 | 19.94 | 2,000,000 | — | (100,000) | — | 1,900,000 | 1,900,000 | 29.00 |
| 10 October 2006 | 22.44 | 288,000 | — | — | — | 288,000 | 57,600 | N/A |
| | | 2,488,000 | — | (300,000) | — | 2,188,000 | 1,957,600 | |
| *Employees* | | | | | | | | |
| 10 October 2006 | 22.44 | 8,416,000 | — | (1,113,400) | (614,400) | 6,688,200 | 569,800 | 35.03 |
| 15 November 2007 | 36.10 | — | 5,248,000 | — | — | 5,248,000 | — | N/A |
| | | 10,904,000 | 5,248,000 | (1,413,400) | (614,400) | 14,124,200 | 2,527,400 | |
| Weighted average exercise price | | HK$21.88 | HK$36.10 | HK$21.51 | HK22.44 | HK$27.18 | HK$20.56 | |

| ***Date of grant*** | ***Subscription price per share HK$*** | ***Number of shares under options granted: Outstanding at 1 July 2008*** | ***Movements during the year: Granted*** | ***Movements during the year: Exercised*** | ***Movements during the year: Lapsed*** | ***At 30 June 2009: Outstanding*** | ***At 30 June 2009: Exercisable*** | ***Weighted average share price at the date of exercise HK$*** |
|---|---|---|---|---|---|---|---|---|
| *Directors* | | | | | | | | |
| 2 September 2005 | 19.94 | 1,900,000 | — | (1,900,000) | — | **—** | **—** | 24.73 |
| 10 October 2006 | 22.44 | 288,000 | — | — | — | **288,000** | **115,200** | N/A |
| | | 2,188,000 | — | (1,900,000) | — | **288,000** | **115,200** | |
| *Employees* | | | | | | | | |
| 10 October 2006 | 22.44 | 6,688,200 | — | (362,000) | (736,000) | **5,590,200** | **1,654,200** | 24.62 |
| 15 November 2007 | 36.10 | 5,248,000 | — | — | (176,000) | **5,072,000** | **1,014,400** | N/A |
| 24 July 2008 | 26.35 | — | 1,788,000 | — | — | **1,788,000** | **—** | N/A |
| 11 March 2009 | 21.45 | — | 1,760,000 | — | — | **1,760,000** | **—** | N/A |
| | | 14,124,200 | 3,548,000 | (2,262,000) | (912,000) | **14,498,200** | **2,783,800** | |
| Weighted average exercise price | | HK$27.18 | HK$23.92 | HK$20.34 | HK$25.08 | **HK$27.58** | **HK$27.42** | |

The dates of grant of options referred to above represent the dates on which the options were accepted by the grantees.

## 35. SHARE CAPITAL (continued)

### Share option schemes (continued)

**(a) The Company** (continued)

The followings are the particulars of share options granted under HHL 2003 Scheme:

| *Date of Grant* | *Number of share options* | *Vesting period* | *Exercisable period* | *Exercise price per share HK$* |
|---|---|---|---|---|
| 8 September 2004 | 2,700,000 | — | Exercisable within three years from the date of grant | 17.10 |
| 2 September 2005 | 1,250,000 | 2 September 2005 to 1 March 2006 | 2 March 2006 to 1 March 2009 | 19.94 |
| 2 September 2005 | 1,250,000 | 2 September 2005 to 1 March 2007 | 2 March 2007 to 1 March 2009 | 19.94 |
| 10 October 2006 | 1,792,000 | 10 October 2006 to 31 October 2007 | 1 November 2007 to 31 October 2013 | 22.44 |
| 10 October 2006 | 1,792,000 | 10 October 2006 to 31 October 2008 | 1 November 2008 to 31 October 2013 | 22.44 |
| 10 October 2006 | 1,792,000 | 10 October 2006 to 31 October 2009 | 1 November 2009 to 31 October 2013 | 22.44 |
| 10 October 2006 | 1,792,000 | 10 October 2006 to 31 October 2010 | 1 November 2010 to 31 October 2013 | 22.44 |
| 10 October 2006 | 1,792,000 | 10 October 2006 to 31 October 2011 | 1 November 2011 to 31 October 2013 | 22.44 |
| 15 November 2007 | 1,049,600 | 15 November 2007 to 30 November 2008 | 1 December 2008 to 30 November 2014 | 36.10 |
| 15 November 2007 | 1,049,600 | 15 November 2007 to 30 November 2009 | 1 December 2009 to 30 November 2014 | 36.10 |
| 15 November 2007 | 1,049,600 | 15 November 2007 to 30 November 2010 | 1 December 2010 to 30 November 2014 | 36.10 |
| 15 November 2007 | 1,049,600 | 15 November 2007 to 30 November 2011 | 1 December 2011 to 30 November 2014 | 36.10 |
| 15 November 2007 | 1,049,600 | 15 November 2007 to 30 November 2012 | 1 December 2012 to 30 November 2014 | 36.10 |
| 24 July 2008 | 357,600 | 24 July 2008 to 31 July 2009 | 1 August 2009 to 31 July 2015 | 26.35 |
| 24 July 2008 | 357,600 | 24 July 2008 to 31 July 2010 | 1 August 2010 to 31 July 2015 | 26.35 |
| 24 July 2008 | 357,600 | 24 July 2008 to 31 July 2011 | 1 August 2011 to 31 July 2015 | 26.35 |
| 24 July 2008 | 357,600 | 24 July 2008 to 31 July 2012 | 1 August 2012 to 31 July 2015 | 26.35 |
| 24 July 2008 | 357,600 | 24 July 2008 to 31 July 2013 | 1 August 2013 to 31 July 2015 | 26.35 |
| 11 March 2009 | 352,000 | 11 March 2009 to 17 March 2010 | 18 March 2010 to 17 March 2016 | 21.45 |
| 11 March 2009 | 352,000 | 11 March 2009 to 17 March 2011 | 18 March 2011 to 17 March 2016 | 21.45 |
| 11 March 2009 | 352,000 | 11 March 2009 to 17 March 2012 | 18 March 2012 to 17 March 2016 | 21.45 |
| 11 March 2009 | 352,000 | 11 March 2009 to 17 March 2013 | 18 March 2013 to 17 March 2016 | 21.45 |
| 11 March 2009 | 352,000 | 11 March 2009 to 17 March 2014 | 18 March 2014 to 17 March 2016 | 21.45 |

## 35. SHARE CAPITAL (continued)

### Share option schemes (continued)

**(a) The Company** (continued)

Share option expenses charged to the consolidated income statement are based on valuation determined using the Binomial model. Share options granted were valued based on the following assumptions:

| *Date of grant* | *Number of options granted* | *Fair values of options granted HK$* | *Closing share price at date of grant HK$* | *Exercise price HK$* | *Expected volatility* | *Option life* | *Risk-free rate* | *Expected dividend yield* | *Suboptimal exercise factor* |
|---|---|---|---|---|---|---|---|---|---|
| 2 September 2005 | 2,500,000 | 6,819,000 | 19.60 | 19.94 | 23.30% | 3.4 years | 3.660% | 4.10% | 2 |
| 10 October 2006 | 8,960,000 | 43,981,000 | 22.25 | 22.44 | 26.00% | 7 years | 3.956% | 3.80% | 2 |
| 15 November 2007 | 5,248,000 | 43,669,000 | 35.10 | 36.10 | 33.00% | 7 years | 3.384% | 4.70% | 2 |
| 24 July 2008 | 1,788,000 | 13,475,000 | 26.25 | 26.35 | 33.54% | 7 years | 3.598% | 3.01% | 1.61 |
| 11 March 2009 | 1,760,000 | 9,142,000 | 21.45 | 21.45 | 34.37% | 7 years | 1.872% | 4.53% | 2.2 |

Expected volatility was determined by using the historical volatility of the Company's share price over previous year. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognised in the total expense of HK$25,619,000 for the year (2008: HK$24,488,000) in relation to share options granted by the Company.

**(b) HHI**

A share option scheme ("HHI Scheme") was adopted by HHI pursuant to the written resolutions of the shareholders of HHI passed on 16 July 2003 and approved by the shareholders of the Company at an extraordinary general meeting held on 16 July 2003. The HHI Scheme shall be valid and effective for a period of 10 years and the principal purpose of which is to provide incentives to directors and any eligible persons the Board of HHI may approve from time to time. The Board of HHI is authorised to grant options under the HHI Scheme to executive directors and employees of the Company, HHI or any of its subsidiaries and persons specified in the scheme document to subscribe for shares in HHI.

Options granted must be taken up within 28 days from the date of the offer letter upon payment of HK$1 per each grant of option, payable as consideration on acceptance, which is recognised in the consolidated income statement when received.

## 35. SHARE CAPITAL (continued)

### Share option schemes (continued)

**(b) HHI** (continued)

The following table discloses the details of share options granted under the HHI Scheme by HHI to its directors and employees, who are not directors of the Company, at nominal consideration:

| Date of grant | Subscription price per share HK$ | Number of shares under options granted: Outstanding at 1 July 2007 | Movements during the year: Granted | Movements during the year: Exercised | Movements during the year: Lapsed | At 30 June 2008: Outstanding | At 30 June 2008: Exercisable | Weighted average share price at the date of exercise HK$ |
|---|---|---|---|---|---|---|---|---|
| 17 October 2006 | 5.858 | 6,200,000 | — | (152,000) | (1,120,000) | 4,928,000 | 1,088,000 | 6.65 |
| 19 November 2007 | 6.746 | — | 760,000 | — | — | 760,000 | — | N/A |
| | | 6,200,000 | 760,000 | (152,000) | (1,120,000) | 5,688,000 | 1,088,000 | |
| Weighted average exercise price | | HK$5.858 | HK$6.746 | HK$5.858 | HK$5.858 | HK$5.977 | HK$5.858 | |

| **Date of grant** | **Subscription price per share HK$** | **Number of shares under options granted: Outstanding at 1 July 2008** | **Movements during the year: Granted** | **Movements during the year: Exercised** | **Movements during the year: Lapsed** | **At 30 June 2009: Outstanding** | **At 30 June 2009: Exercisable** | **Weighted average share price at the date of exercise HK$** |
|---|---|---|---|---|---|---|---|---|
| 17 October 2006 | 5.858 | 4,928,000 | — | — | (488,000) | **4,440,000** | **1,776,000** | N/A |
| 19 November 2007 | 6.746 | 760,000 | — | — | — | **760,000** | **152,000** | N/A |
| 24 July 2008 | 5.800 | — | 800,000 | — | (400,000) | **400,000** | **—** | N/A |
| 11 March 2009 | 4.470 | — | 400,000 | — | (400,000) | **—** | **—** | N/A |
| | | 5,688,000 | 1,200,000 | — | (1,288,000) | **5,600,000** | **1,928,000** | |
| Weighted average exercise price | | HK$5.977 | HK$5.357 | N/A | HK$5.409 | **HK$5.974** | **HK$5.928** | |

## 35. SHARE CAPITAL (continued)

### Share option schemes (continued)

**(b) HHI** (continued)

The followings are the particulars of share options granted under HHI Scheme:

| Date of Grant | Number of share options | Vesting period | Exercisable period | Exercise price per share HK$ |
|---|---|---|---|---|
| 17 October 2006 | 1,240,000 | 1 December 2006 to 30 November 2007 | 1 December 2007 to 30 November 2013 | 5.858 |
| 17 October 2006 | 1,240,000 | 1 December 2006 to 30 November 2008 | 1 December 2008 to 30 November 2013 | 5.858 |
| 17 October 2006 | 1,240,000 | 1 December 2006 to 30 November 2009 | 1 December 2009 to 30 November 2013 | 5.858 |
| 17 October 2006 | 1,240,000 | 1 December 2006 to 30 November 2010 | 1 December 2010 to 30 November 2013 | 5.858 |
| 17 October 2006 | 1,240,000 | 1 December 2006 to 30 November 2011 | 1 December 2011 to 30 November 2013 | 5.858 |
| 19 November 2007 | 152,000 | 19 November 2007 to 30 November 2008 | 1 December 2008 to 30 November 2014 | 6.746 |
| 19 November 2007 | 152,000 | 19 November 2007 to 30 November 2009 | 1 December 2009 to 30 November 2014 | 6.746 |
| 19 November 2007 | 152,000 | 19 November 2007 to 30 November 2010 | 1 December 2010 to 30 November 2014 | 6.746 |
| 19 November 2007 | 152,000 | 19 November 2007 to 30 November 2011 | 1 December 2011 to 30 November 2014 | 6.746 |
| 19 November 2007 | 152,000 | 19 November 2007 to 30 November 2012 | 1 December 2012 to 30 November 2014 | 6.746 |
| 24 July 2008 | 160,000 | 1 August 2008 to 31 July 2009 | 1 August 2009 to 31 July 2015 | 5.800 |
| 24 July 2008 | 160,000 | 1 August 2008 to 31 July 2010 | 1 August 2010 to 31 July 2015 | 5.800 |
| 24 July 2008 | 160,000 | 1 August 2008 to 31 July 2011 | 1 August 2011 to 31 July 2015 | 5.800 |
| 24 July 2008 | 160,000 | 1 August 2008 to 31 July 2012 | 1 August 2012 to 31 July 2015 | 5.800 |
| 24 July 2008 | 160,000 | 1 August 2008 to 31 July 2013 | 1 August 2013 to 31 July 2015 | 5.800 |
| 11 March 2009 | 80,000 | 18 March 2009 to 17 March 2010 | 18 March 2010 to 17 March 2016 | 4.470 |
| 11 March 2009 | 80,000 | 18 March 2009 to 17 March 2011 | 18 March 2011 to 17 March 2016 | 4.470 |
| 11 March 2009 | 80,000 | 18 March 2009 to 17 March 2012 | 18 March 2012 to 17 March 2016 | 4.470 |
| 11 March 2009 | 80,000 | 18 March 2009 to 17 March 2013 | 18 March 2013 to 17 March 2016 | 4.470 |
| 11 March 2009 | 80,000 | 18 March 2009 to 17 March 2014 | 18 March 2014 to 17 March 2016 | 4.470 |

The above 400,000 share options with exercise price at HK$4.470 per share were granted and lapsed in the financial year ended 30 June 2009. There was no financial impact to the consolidated financial statements of the Group and no valuation on these share options was performed.

Share option expenses charged to the consolidated income statement are based on valuation determined using the Binomial model. Share options granted were valued based on the following assumptions:

| Date of grant | Number of options granted | Fair values of options granted HK$ | Closing share price at date of grant HK$ | Exercise price HK$ | Expected volatility | Option life | Risk-free rate | Expected dividend yield | Suboptimal exercise factor |
|---|---|---|---|---|---|---|---|---|---|
| 17 October 2006 | 6,200,000 | 5,814,000 | 5.70 | 5.858 | 23.00% | 7 years | 3.969% | 4.75% | 2 |
| 19 November 2007 | 760,000 | 705,000 | 6.55 | 6.746 | 23.83% | 7 years | 3.330% | 5.78% | 2 |
| 24 July 2008 | 800,000 | 843,000 | 5.80 | 5.800 | 25.94% | 7 years | 3.600% | 4.66% | 1.31 |

## 35. SHARE CAPITAL (continued)

### Share option schemes (continued)

**(b) HHI** (continued)

Expected volatility was determined by using the historical volatility of the HHI's share price over previous year. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of share options varies with different variables of certain subjective assumptions.

The Group recognised the total expense of HK$1,038,000 for the year (2008: HK$2,125,000) in relation to share options granted by HHI.

### Share award scheme

**(a) The Company**

On 25 January 2007, an employees' share award scheme ("HHL Share Award Scheme") was adopted by the Company. The HHL Share Award Scheme is valid and effective for a period of 15 years commencing from 25 January 2007. Pursuant to the rules of the HHL Share Award Scheme, the Group has set up a trust, HHL Employees' Share Award Scheme Trust, for the purpose of administering the HHL Share Award Scheme and holding the awarded shares before they vest.

During the year ended 30 June 2007, a total of 3,374,000 shares in the Company were awarded to certain directors of the Company at no consideration. No shares were awarded in both years presented. The awardees shall not dispose of, nor enter into any agreement to dispose of the relevant awarded shares in the 12-month period commencing on the vesting date thereof. Details of the movements of shares of the Company awarded are as follows:

| *Vesting date* | *Outstanding at 1 July 2007* | *Movements during the year* | | *Outstanding at 30 June 2008* |
|---|---|---|---|---|
| | | *Vested* | *Lapsed* | |
| *Directors* | | | | |
| 25 January 2008 | 358,000 | (322,000) | (36,000) | — |
| 25 January 2009 | 358,000 | — | (36,000) | 322,000 |
| | 716,000 | (322,000) | (72,000) | 322,000 |
| Weighted average fair value | HK$24.22 | HK$25.21 | HK$24.22 | HK$23.22 |

| ***Vesting date*** | ***Outstanding at 1 July 2008*** | ***Movements during the year*** | | ***Outstanding at 30 June 2009*** |
|---|---|---|---|---|
| | | ***Vested*** | ***Lapsed*** | |
| *Directors* | | | | |
| 25 January 2009 | 322,000 | (322,000) | — | — |
| Weighted average fair value | HK$23.22 | HK$23.22 | N/A | **N/A** |

During the year ended 30 June 2007, 3,374,000 shares of the Company were acquired at a total cost of HK$102,109,000.

The total fair value of the awarded shares determined at the date of grant was HK$87,445,000, of which HK$2,169,000 (2008: HK$7,799,000) was recognised as an expense for the year.

## 35. SHARE CAPITAL (continued)

### Share award scheme (continued)

**(a) The Company** (continued)

The following assumptions were used to calculate the fair value of awarded shares:

| | |
|---|---|
| Closing share price at date of grant | HK$28.65 |
| Option life | 1–3 years |
| Expected volatility | |
| First year | 22.15% |
| Second year | 20.26% |
| Third year | 25.28% |
| Expected dividend yield | 2.60% |
| Risk free rate | |
| First year | 3.89% |
| Second year | 3.92% |
| Third year | 3.93% |

The fair value of the awarded shares was determined by reference to the closing share price at date of grant after deductions of the present value of foregone dividend during the vesting period and the fair value of put option in relation to the restricted period of the shares which was determined by using the Black-Scholes option pricing model.

The variables and assumptions used in computing the fair value of the awarded shares are based on the directors' best estimate. The value of awarded shares varies with different variables of certain subjective assumptions.

**(b) HHI**

On 25 January 2007, an employees' share award scheme ("HHI Share Award Scheme") was adopted by HHI. The HHI Share Award Scheme is valid and effective for a period of 15 years commencing from 25 January 2007. Pursuant to the rules of the HHI Share Award Scheme, HHI has set up a trust, HHI Employees' Share Award Scheme Trust, for the purpose of administering the HHI Share Award Scheme and holding the awarded shares before they vest.

During the year ended 30 June 2007, a total of 1,940,000 shares in HHI had been awarded to a director of the Company and employees of the Group at no consideration. No shares in HHI were awarded in both years presented. The awardees shall not dispose of, nor enter into any agreement to dispose of the relevant awarded shares in the 12-month period commencing on the vesting date thereof.

## 35. SHARE CAPITAL (continued)

### Share award scheme (continued)

**(b) HHI** (continued)

Details of the movements of shares of HHI awarded are as follows:

| *Vesting date* | *Outstanding at 1 July 2007* | *Movements during the year Vested* | *Outstanding at 30 June 2008* |
|---|---|---|---|
| *Employees* | | | |
| 25 January 2008 | 380,000 | (380,000) | — |
| 25 January 2009 | 380,000 | — | 380,000 |
| | 760,000 | (380,000) | 380,000 |
| Weighted average fair value | HK$5.94 | HK$6.21 | HK$5.68 |

| ***Vesting date*** | ***Outstanding at 1 July 2008*** | ***Movements during the year Vested*** | ***Outstanding at 30 June 2009*** |
|---|---|---|---|
| *Employees* | | | |
| 25 January 2009 | 380,000 | (380,000) | **—** |
| Weighted average fair value | HK$5.68 | HK$5.68 | **N/A** |

During the year ended 30 June 2007, 1,940,000 shares of HHI were acquired at a total cost of HK$14,129,000.

The total fair value of the awarded shares determined at the date of grant was HK$12,369,000, of which HK$614,000 (2008: HK$2,471,000) was recognised as an expense for the year.

The following assumptions were used to calculate the fair value of the awarded shares:

| | |
|---|---|
| Closing share price at date of grant | HK$7.38 |
| Option life | 1–3 years |
| Expected volatility | |
| First year | 25.18% |
| Second year | 21.80% |
| Third year | 23.47% |
| Expected dividend yield | 4.36% |
| Risk free rate | |
| First year | 3.89% |
| Second year | 3.92% |
| Third year | 3.93% |

The fair value of the awarded shares was determined by reference to the closing share price at date of grant after deductions of the present value of foregone dividend during the vesting period and the fair value of put option in relation to the restricted period of the shares which was determined by using the Black-Scholes option pricing model.

The variables and assumptions used in computing the fair value of the awarded shares are based on the directors' best estimate. The value of awarded share varies with different variables of certain subjective assumptions.

## 36. SHARE PREMIUM AND RESERVES

### The Group

| | *Attributable to equity holders of the Company* | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Share premium HK$'000* | *Capital redemption reserve HK$'000* | *Capital reserve HK$'000* | *Translation reserve HK$'000* | *PRC statutory reserves HK$'000* | *Property revaluation reserve HK$'000* | *Investment revaluation reserve HK$'000* | *Share option reserve HK$'000* | *Share award reserve HK$'000* | *Shares held for share award scheme HK$'000* | *Retained profits HK$'000* | *Total HK$'000* | *Share option reserve of a subsidiary HK$'000* | *Share award reserve of a subsidiary HK$'000* | *Minority interests HK$'000* | *Total HK$'000* |
| At 1 July 2007 (originally stated) | 8,684,344 | 4,748 | 83,010 | 176,114 | 79,529 | — | — | 19,056 | 5,626 | (21,668) | 7,891,295 | 16,922,054 | 1,268 | 1,043 | 3,058,754 | 19,983,119 |
| Effect of changes in accounting policies *(note 2)* | — | — | — | (9,622) | — | — | — | — | — | — | (91,930) | (101,552) | — | — | (37,929) | (139,481) |
| At 1 July 2007 (restated) | 8,684,344 | 4,748 | 83,010 | 166,492 | 79,529 | — | — | 19,056 | 5,626 | (21,668) | 7,799,365 | 16,820,502 | 1,268 | 1,043 | 3,020,825 | 19,843,638 |
| Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates (as restated) | — | — | — | 259,014 | — | — | — | — | — | — | — | 259,014 | — | — | 61,295 | 320,309 |
| Gain arising from changes in fair value of other properties before reclassification to investment properties *(note 17(d))* | — | — | — | — | — | 13,024 | — | — | — | — | — | 13,024 | — | — | — | 13,024 |
| Gain arising from changes in fair value of available-for-sale investments | — | — | — | — | — | — | 48,174 | — | — | — | — | 48,174 | — | — | — | 48,174 |
| Deferred tax liabilities on changes in fair value of other properties | — | — | — | — | — | (2,149) | — | — | — | — | — | (2,149) | — | — | — | (2,149) |
| Deferred tax liabilities on changes in fair value of available-for-sale investments | — | — | — | — | — | — | (3,590) | — | — | — | — | (3,590) | — | — | — | (3,590) |
| Net income recognised directly in equity | — | — | — | 259,014 | — | 10,875 | 44,584 | — | — | — | — | 314,473 | — | — | 61,295 | 375,768 |
| Translation reserve realised on disposal of a jointly controlled entity | — | — | — | (56,025) | — | — | — | — | — | — | — | (56,025) | — | — | (20,893) | (76,918) |
| Investment revaluation reserve transferred to profit or loss on disposal of available-for-sale investments | — | — | — | — | — | — | (21,756) | — | — | — | — | (21,756) | — | — | — | (21,756) |
| Reversal of deferred tax liabilities on disposal of available-for-sale investments | — | — | — | — | — | — | 3,590 | — | — | — | — | 3,590 | — | — | — | 3,590 |
| Profit for the year | — | — | — | — | — | — | — | — | — | — | 5,978,766 | 5,978,766 | — | — | 550,124 | 6,528,890 |
| Total recognised income for the year | — | — | — | 202,989 | — | 10,875 | 26,418 | — | — | — | 5,978,766 | 6,219,048 | — | — | 590,526 | 6,809,574 |
| Issue of shares | 32,604 | — | — | — | — | — | — | (5,738) | — | — | — | 26,866 | — | — | — | 26,866 |
| Shares issue expenses | (28) | — | — | — | — | — | — | — | — | — | — | (28) | — | — | — | (28) |
| Repurchase of shares | — | 21,185 | — | — | — | — | — | — | — | — | (259,294) | (238,109) | — | — | — | (238,109) |
| Dividends paid to minority shareholders | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (367,297) | (367,297) |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (29,572) | (29,572) |
| Recognition of equity-settled share-based payments | — | — | — | — | — | — | — | 24,488 | 7,799 | — | — | 32,287 | 1,552 | 1,804 | 1,240 | 36,883 |
| Change in profit sharing of a jointly controlled entity | — | — | — | (2,535) | (3,106) | — | — | — | — | — | — | (5,641) | — | — | (2,086) | (7,727) |
| Contribution from minority shareholders of a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 1,034 | 1,034 |
| Deemed contribution from a minority shareholder *(note 34)* | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 18,990 | 18,990 |
| Shares vested under the share award schemes of the Group | — | — | — | — | — | — | — | — | (8,117) | 9,745 | (1,628) | — | — | (1,723) | — | (1,723) |
| Deemed disposal of interest in a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | (442) | — | (1,091) | (1,533) |
| Transfers between reserves | — | — | — | — | 5,529 | — | — | — | — | — | (5,529) | — | — | — | — | — |
| Dividends recognised as distribution during the year *(note 14)* | — | — | — | — | — | — | — | — | — | — | (2,038,718) | (2,038,718) | — | — | — | (2,038,718) |
| At 30 June 2008 (restated) | 8,716,920 | 25,933 | 83,010 | 366,946 | 81,952 | 10,875 | 26,418 | 37,806 | 5,308 | (11,923) | 11,472,962 | 20,816,207 | 2,378 | 1,124 | 3,232,569 | 24,052,278 |

## 36. SHARE PREMIUM AND RESERVES (continued)

### The Group (continued)

| | Attributable to equity holders of the Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share premium HK$'000 | Capital redemption reserve HK$'000 | Capital reserve HK$'000 | Translation reserve HK$'000 | PRC statutory reserves HK$'000 | Property revaluation reserve HK$'000 | Investment revaluation reserve HK$'000 | Share option reserve HK$'000 | Share award reserve HK$'000 | Shares held for share award scheme HK$'000 | Retained profits HK$'000 | Total HK$'000 | Share option reserve of a subsidiary HK$'000 | Share award reserve of a subsidiary HK$'000 | Minority interests HK$'000 | Total HK$'000 |
| At 1 July 2008 | 8,716,920 | 25,933 | 83,010 | 366,946 | 81,952 | 10,875 | 26,418 | 37,806 | 5,308 | (11,923) | 11,472,962 | 20,816,207 | 2,378 | 1,124 | 3,232,569 | 24,052,278 |
| Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates | — | — | — | (39,166) | — | — | — | — | — | — | — | (39,166) | — | — | (2,863) | (42,029) |
| Loss arising from changes in fair value of available-for sale investments | — | — | — | — | — | — | (9,910) | — | — | — | — | (9,910) | — | — | — | (9,910) |
| Net expense recognised directly in equity | — | — | — | (39,166) | — | — | (9,910) | — | — | — | — | (49,076) | — | — | (2,863) | (51,939) |
| Investment revaluation reserve transferred to profit or loss on disposal of available-for sale investments | — | — | — | — | — | — | (1,873) | — | — | — | — | (1,873) | — | — | — | (1,873) |
| Profit for the year | — | — | — | — | — | — | — | — | — | — | 1,680,851 | 1,680,851 | — | — | 316,612 | 1,997,463 |
| Total recognised income (expense) for the year | — | — | — | (39,166) | — | — | (11,783) | — | — | — | 1,680,851 | 1,629,902 | — | — | 313,749 | 1,943,651 |
| Issue of shares | 47,313 | — | — | — | — | — | — | (6,958) | — | — | — | 40,355 | — | — | — | 40,355 |
| Shares issue expenses | (35) | — | — | — | — | — | — | — | — | — | — | (35) | — | — | — | (35) |
| Repurchase of shares | — | 39,088 | — | — | — | — | — | — | — | — | (361,468) | (322,380) | — | — | — | (322,380) |
| Repurchase of HHI shares by HHI | — | — | — | — | — | — | — | — | — | — | (10,636) | (10,636) | — | — | (27,210) | (37,846) |
| Dividends paid to minority shareholders | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (1,157,244) | (1,157,244) |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (1,203) | (1,203) |
| Recognition of equity-settled share-based payments | — | — | — | — | — | — | — | 25,619 | 2,169 | — | — | 27,788 | 729 | 432 | 491 | 29,440 |
| Shares vested under the share award schemes of the Group | — | — | — | — | — | — | — | — | (7,477) | 9,745 | (2,697) | (429) | — | (1,556) | (783) | (2,768) |
| Forfeiture of vested share option | — | — | — | — | — | — | — | — | — | — | 133 | 133 | (133) | — | — | — |
| Transfers between reserves | — | — | (73,000) | 15,000 | 423 | — | — | — | — | — | 57,577 | — | — | — | — | — |
| Dividends recognised as distribution during the year *(note 14)* | — | — | — | — | — | — | — | — | — | — | (4,995,334) | (4,995,334) | — | — | 241,108 | (4,754,226) |
| **At 30 June 2009** | **8,764,198** | **65,021** | **10,010** | **342,780** | **82,375** | **10,875** | **14,635** | **56,467** | **—** | **(2,178)** | **7,841,388** | **17,185,571** | **2,974** | **—** | **2,601,477** | **19,790,022** |

## 36. SHARE PREMIUM AND RESERVES (continued)

| | Share premium HK$'000 | Capital redemption reserve HK$'000 | Capital reserve HK$'000 | Share option reserve HK$'000 | Share award reserve HK$'000 | Shares held for share award scheme HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **The Company** | | | | | | | | |
| At 1 July 2007 | 8,684,344 | 4,748 | 9,872 | 19,056 | 5,626 | (21,668) | 3,120,075 | 11,822,053 |
| Profit for the year and total income recognised for the year | — | — | — | — | — | — | 6,338,310 | 6,338,310 |
| Issue of shares | 32,604 | — | — | (5,738) | — | — | — | 26,866 |
| Shares issue expenses | (28) | — | — | — | — | — | — | (28) |
| Repurchase of shares | — | 21,185 | — | — | — | — | (259,294) | (238,109) |
| Recognition of equity-settled share-based payments | — | — | — | 24,488 | 7,799 | — | — | 32,287 |
| Shares vested under the share award scheme of the Company | — | — | — | — | (8,117) | 9,745 | (1,628) | — |
| Dividends recognised as distribution during the year *(note 14)* | — | — | — | — | — | — | (2,038,718) | (2,038,718) |
| At 30 June 2008 | 8,716,920 | 25,933 | 9,872 | 37,806 | 5,308 | (11,923) | 7,158,745 | 15,942,661 |
| Profit for the year and total income recognised for the year | — | — | — | — | — | — | 426,247 | 426,247 |
| Issue of shares | 47,313 | — | — | (6,958) | — | — | — | 40,355 |
| Shares issue expenses | (35) | — | — | — | — | — | — | (35) |
| Repurchase of shares | — | 39,088 | — | — | — | — | (361,468) | (322,380) |
| Recognition of equity-settled share-based payments | — | — | — | 25,619 | 2,169 | — | — | 27,788 |
| Shares vested under the share award scheme of the Company | — | — | — | — | (7,477) | 9,745 | (2,268) | — |
| Dividends recognised as distribution during the year *(note 14)* | — | — | — | — | — | — | (4,995,334) | (4,995,334) |
| **At 30 June 2009** | **8,764,198** | **65,021** | **9,872** | **56,467** | **—** | **(2,178)** | **2,225,922** | **11,119,302** |

## 37. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

| | Accelerated tax depreciation HK$'000 | Fair value adjustments on investment properties HK$'000 | Arising from business combinations (Note) HK$'000 | Undistributed earnings of PRC jointly controlled entities HK$'000 | Tax losses HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2007 (as restated) | 161,776 | 487,912 | 241,518 | — | (165,076) | (854) | 725,276 |
| Charge (credit) to consolidated income statement | | | | | | | |
| Current year (as restated) | 23,810 | 105,887 | (864) | 68,898 | (5,267) | (891) | 191,573 |
| Effect of change in tax rate | (9,624) | (27,881) | (13,801) | — | 9,433 | 49 | (41,824) |
| Charge to reserve | — | — | — | — | — | 2,149 | 2,149 |
| At 30 June 2008 (as restated) | 175,962 | 565,918 | 226,853 | 68,898 | (160,910) | 453 | 877,174 |
| Charge (credit) to consolidated income statement | 29,286 | 118,834 | (864) | 55,135 | (3,796) | (542) | 198,053 |
| **At 30 June 2009** | **205,248** | **684,752** | **225,989** | **124,033** | **(164,706)** | **(89)** | **1,075,227** |

*Note:* Such deferred tax liabilities are attributable to taxable temporary differences arising on initial recognition of assets which were acquired in business combinations.

The deferred tax assets and liabilities have been offset for the purposes of balance sheet presentation.

At the balance sheet date, the Group had available unused tax losses of HK$1,629 million (2008: HK$1,550 million) to offset against future profits. A deferred tax asset of HK$165 million (2008: HK$161 million) in respect of tax losses of HK$998 million (2008: HK$975 million) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$631 million (2008: HK$575 million) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

## 38. ACQUISITION OF A SUBSIDIARY

On 1 August 2008, the Group acquired 100% of the issued share capital of Mingway Company, Limited from certain directors of the Company for a total consideration of approximately HK$208 million. This consideration was arrived at by reference to the fair value of the underlying investment properties on date of acquisition as valued by DTZ. This acquisition has been accounted for as acquisition of assets as Mingway Company, Limited is principally engaged in property investment and only holds certain commercial units at Wu Chung House, No. 213 Queen's Road East, Wanchai, Hong Kong.

The net assets acquired in the transaction are as follows:

| | *HK$'000* |
|---|---|
| Net assets acquired: | |
| Investment properties | 210,000 |
| Trade and other receivables | 825 |
| Bank balances | 393 |
| Trade and other payables | (216) |
| Rental and other deposits | (2,602) |
| | 208,400 |
| Total consideration satisfied by: | |
| Cash | 208,400 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | 208,400 |
| Bank balances acquired | (393) |
| | 208,007 |

## 39. DISPOSAL OF A SUBSIDIARY

As referred to in note 9(a), the Company completed the disposal of its subsidiary, Nomusa, during the year ended 30 June 2008.

| | *HK$'000* |
|---|---|
| Net assets disposed of: | |
| Interest in a jointly controlled entity | 204,263 |
| Long-term loans and receivables | 417,998 |
| | 622,261 |
| Gain on disposal | 3,949,339 |
| Net cash received | 4,571,600 |
| Sale consideration received, satisfied in cash | 4,579,982 |
| Expenses paid on disposal | (8,382) |
| | 4,571,600 |

The resulting gain on disposal of HK$3,949,339,000 was included in the gain on disposal of jointly controlled entities and associates in the consolidated income statement for the year ended 30 June 2008.

The subsidiary disposed of did not contribute to the Group's profit before taxation for the year ended June 2008 and the subsidiary did not contribute to the Group's cash flows for the year ended 30 June 2008. The subsidiary did not contribute to the Group's turnover for the years ended 30 June 2008.

## 40. PROJECT COMMITMENTS

### (a) Expressway projects

At 30 June 2008, the Group had outstanding commitments to make capital contribution to a jointly controlled entity, West Route JV, for the development of Phase II of the Western Delta Route in the PRC ("Phase II West") of approximately RMB96 million.

At 30 June 2009, the Group had agreed, subject to approval of the relevant PRC authorities, to make capital contribution to West Route JV for the development of Phase II and Phase III of the Western Delta Route of approximately RMB403 million (2008: Nil) and RMB980 million (2008: RMB571 million) respectively.

In addition to the above, the Group's attributable share of the commitments of certain jointly controlled entities of the Group in respect of the acquisition of property and equipment, and construction of Phase II West contracted for but not provided totalling approximately HK$521 million at 30 June 2009 (2008: HK$1,658 million).

### (b) Residential and commercial property project

On 23 June 2009, a tender submitted by a joint venture company of the Group was accepted by the Urban Renewal Authority in respect of the development of the Lee Tung Street Project in Wanchai. The Group and the joint venture partner will jointly hold and develop the project through their respective shareholding of 50% in the joint venture company. At the balance sheet date, the total commitment of the Group is expected to be approximately HK$4.15 billion, representing 50% of the total budgeted development and related costs of the project.

### (c) Power plant project

The Group's share of the commitments of the joint venture company in respect of the development of the power plant is as follows:

| | *2008*<br>*HK$'000* | ***2009***<br>***HK$'000*** |
|---|---|---|
| Authorised but not yet contracted for | 19,305 | **201,968** |
| Contracted for but not provided | 733,544 | **248,769** |
| | 752,849 | **450,737** |

### (d) Commercial and hotel property project

Pursuant to a cooperation agreement entered into between the Group and a PRC party to develop and lease a commercial and hotel complex property in Guangzhou, the PRC, the Group is mainly responsible for the fitting-out of the property and the purchase of machinery and equipment required for the operation of the property at the estimated total costs of not less than RMB1,000 million. Upon the completion of the property development, the Group is entitled to operate the property for a specified period by paying fixed amounts of monthly rental, which will be increased progressively with a maximum annual rental of RMB178 million. Total rental payable under the operating period is approximately RMB3.5 billion. Up to the balance sheet date, the Group had not incurred any material cost for this property project.

### (e) Property development

| | *2008*<br>*HK$'000* | ***2009***<br>***HK$'000*** |
|---|---|---|
| Projects undertaken by the Group | | |
| Authorised but not yet contracted for | 861,952 | **346,520** |
| Contracted for but not provided | 150,638 | **397,348** |
| | 1,012,590 | **743,868** |

## 40. PROJECT COMMITMENTS (continued)

### (f) Property renovation

| | 2008 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Property renovation expenditure contracted for but not provided | 9,551 | **6,502** |

## 41. OPERATING LEASE COMMITMENTS

### The Group as lessor

Rental income from investment properties earned during the year is approximately HK$546 million (2008: HK$463 million). At the balance sheet date, the investment properties of the Group with an aggregate carrying amount of approximately HK$7,725 million (2008: HK$6,800 million) which were rented out under operating leases. These properties have committed tenants for the next one to ten years without termination options granted to the tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

| | The Group | |
|---|---|---|
| | 2008 HK$'000 | 2009 HK$'000 |
| Within one year | 301,721 | **323,205** |
| In the second to fifth years inclusive | 333,509 | **331,380** |
| After five years | 5,352 | **59** |
| | 640,582 | **654,644** |

## 42. CONTINGENT LIABILITIES

### (a) Disposal of CEPA

In connection with the disposal by the Group of its interests in Consolidated Electric Power Asia Limited ("CEPA") in prior years, the Group entered into an agreement with the purchaser under which the purchaser and its affiliates agreed to release and discharge the Group from all claims whatsoever they may have against the Group arising under the sale agreement. The Group has also agreed to release and discharge the purchaser and its affiliates from all claims whatsoever the Group may have against them. In this connection, the Group has given certain performance undertakings and indemnities to the purchaser and its affiliates, for which a provision totalling approximately HK$84 million had been made in the consolidated financial statements in prior years. The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under such agreement. The directors are of the opinion that the provision is not expected to be payable within one year from the balance sheet date and, accordingly, is classified as non-current.

## 42. CONTINGENT LIABILITIES (continued)

### (b) Guarantees

**The Group**

(i) A subsidiary of the Company acted as guarantor for the repayment of the mortgage bank loans granted to purchasers of the subsidiary's properties amounted to HK$2 million at 30 June 2009 (2008: HK$7 million).

(ii) As at 30 June 2008, a bank guarantee of approximately RMB28 million was given by a jointly controlled entity of the Group for its purchase of machineries from overseas suppliers. The Group's share of the guarantee of the jointly controlled entity amounted to approximately RMB11 million as at 30 June 2008. Such guarantee was released during the current year.

**The Company**

(i) As at 30 June 2009, the credit facilities of the Company's subsidiaries to the aggregate extent of HK$13,865 million (2008: HK$13,965 million) are guaranteed by the Company. Such facilities were utilised in relation to utility deposit guarantee to the extent of HK$13 million (2008: HK$13 million) as at 30 June 2009.

## 43. RETIREMENT BENEFIT SCHEME

The Group has established a Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to the consolidated income statement represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$20,000.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total costs charged to the consolidated income statement for the year of HK$8,876,000 (2008: HK$8,178,000) represent contributions paid or payable to the schemes by the Group in respect of the current accounting period. At the balance sheet date, there were no forfeited contributions available to reduce future obligations.

## 44. RELATED PARTY TRANSACTIONS

In additions to the transactions and balances with related parties disclosed above, the Group has the following transactions with related parties:

The registered capital amounting to HK$702 million previously injected by a subsidiary of the Company to GS Superhighway JV was repaid by GS Superhighway JV during the year ended 30 June 2008. According to the Law of the PRC on Chinese-foreign Contractual Joint Venture, in relation to the repayment of registered capital before the expiry of the joint venture operation period, the subsidiary of the Company, as the foreign joint venture partner, is required to undertake the financial obligations of GS Superhighway JV to the extent of HK$702 million when GS Superhighway JV fails to meet its financial obligations during the joint venture operation period.

### Compensation of key management personnel

The remuneration paid or payable to the Group's key management personnel amounted to HK$36 million (2008: HK$58 million), which comprises share-based payments of HK$3 million (2008: HK$14 million) and short term benefits of HK$33 million (2008: HK$44 million). Such remuneration is determined by the Board having regard to the performance of individuals and market trends.

## 45. CAPITAL RISK MANAGEMENT

The Group manages its 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. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and premium, retained profits and other reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of debts.

## 46. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | *The Group* | | *The Company* | |
|---|---|---|---|---|
| | *2008 HK$'000* | ***2009 HK$'000*** | *2008 HK$'000* | ***2009 HK$'000*** |
| **Financial assets:** | | | | |
| Loans and receivable at amortised cost | | | | |
| (including cash and cash equivalents) | 11,955,175 | **5,335,082** | 17,573,715 | **12,716,833** |
| Available-for-sale investments | 65,096 | **33,318** | 3,000 | **3,000** |
| | 12,020,271 | **5,368,400** | 17,576,715 | **12,719,833** |
| **Financial liabilities** | | | | |
| Liabilities at amortised cost | 367,722 | **343,008** | 331,791 | **303,022** |

### (b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include loan receivable, available-for-sale investments, loan to a jointly controlled entity, trade and other receivables, amounts due from subsidiaries, bank balances and cash, trade and other payables, rental and other deposits and amounts due to associates/subsidiaries/a jointly controlled entity and a minority shareholder of a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner. The Group's overall strategy remains unchanged from that of the prior year.

The main risks arising from the Group's and the Company's financial instruments are market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below:

**Market risks**

*(i) Currency risk*

The Group and the Company undertake certain transactions denominated in foreign currencies, hence exposures to exchange fluctuations arise. Certain of the Group's and the Company's financial assets and liabilities are denominated in Hong Kong dollars, Renminbi ("RMB") or United States dollars ("US dollars") which are currencies other than the functional currencies of the respective group entity. The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

**Market risks** (continued)

*(i) Currency risk (continued)*

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

**The Group**

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2008 HK$'000 | 2009 HK$'000 | 2008 HK$'000 | 2009 HK$'000 |
| Hong Kong dollars | 58,712 | **1,996,139** | 73,606 | **1,039** |
| RMB | 380,023 | **126,432** | 59 | — |
| US dollars | 3,050,778 | **1,001,291** | 1,569 | — |

**The Company**

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2008 HK$'000 (restated) | 2009 HK$'000 | 2008 HK$'000 | 2009 HK$'000 |
| RMB | 471 | **125** | — | — |
| US dollars | 155 | **140,113** | — | — |

*Currency risk sensitivity analysis*

As Hong Kong dollars are pegged to US dollars, it is assumed that there would be no material currency risk exposure on between these two currencies. The Group's and the Company's foreign currency risk is mainly concentrated on the fluctuations of RMB against Hong Kong dollars. The sensitivity analysis below includes only currency risk related to RMB and Hong Kong dollars denominated monetary items of group entities whose functional currencies are Hong Kong dollars and RMB respectively. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items as disclosed above and adjusts their translation at the year end for a 5% change in foreign currency rates.

The Group

At the balance sheet date, if the exchange rate of RMB against Hong Kong dollars had been strengthened/weakened by 5%, which is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates, the Group's profit would decrease/increase by approximately HK$93.4 million for the year ended 30 June 2009 (2008: increase/decrease by HK$73.9 million).

The Company

At the balance sheet date, if the exchange rate of RMB against Hong Kong dollars had been strengthened/weakened by 5%, which is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates, the Company's profit would increase/decrease by approximately HK$6,000 for the year ended 30 June 2009 (2008: HK$24,000).

In addition, certain jointly controlled entities of the Group had foreign currency bank loans as at 30 June 2009 and 2008. Foreign currency exposure associated with these foreign currency bank loans is disclosed in note 23.

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

**Market risks** (continued)

*(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed rate bank deposits and loan to a jointly controlled entity which is interest free. The Company is exposed to fair value interest rate risk in relation to fixed rate bank deposits and amounts due from subsidiaries which are interest free. It is the Group's policy to keep certain amount of bank deposits at fixed interest rate.

The Group is exposed to cash flow interest rate risk in relation to certain bank deposits which are subject to changes in prevailing floating interest rates. The Company has insignificant cash flow interest rate risk exposure related to bank deposits carried at floating interest rates. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rate.

*Interest rate risk sensitivity analysis*

The sensitivity analyses below have been determined based on the Group's exposure to interest rates in relation to interest bearing loan to a jointly controlled entity and bank deposits carrying prevailing interest rates at the balance sheet date and on the assumption that the amount outstanding at the balance sheet date was outstanding for the whole year and held constant throughout the financial year.

The Group

If interest rates on bank deposits carrying prevailing interest rates had been 50 basis points higher/lower, which is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates, the profit for the year ended 30 June 2009 would increase/decrease by approximately HK$0.8 million (2008: HK$3.0 million). The analysis is prepared assuming the amount outstanding at the balance sheet was outstanding for the whole year.

*(iii) Price risk*

The Group is exposed to equity price risk in relation to its available-for-sale investments. The management will closely monitor the equity price risk and will mitigate the risk exposure should the need arise. The Group's equity price risk is mainly concentrated on equity instruments quoted in well-established stock exchanges.

*Price risk sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risk on listed equity investments at the reporting date.

If the prices of the listed available-for-sale investments carried at fair value had been 10% higher/lower, the Group's investment valuation reserve would increase/decrease by HK$3.0 million (2008: HK$6.2 million).

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

**Credit risk**

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the balance sheets and the amount of financial guarantees issued by the Group or the Company as disclosed in note 42(b).

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than loan to a jointly controlled entity and dividend receivable from a jointly controlled entity, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Company's credit risk is primarily attributable to amounts due from subsidiaries. In order to minimise the credit risk, the directors of the Company review the recoverable amount of each individual amount due from subsidiaries at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risks of the Group and the Company on liquid funds are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Liquidity risk**

The Group's total assets less current liabilities and the Group's net current assets at 30 June 2009 amounted to HK$23,209 million (2008: HK$27,304 million) and HK$5,314 million (2008: HK$11,676 million) respectively.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows. The management monitors the utilisation of the available banking facilities and ensures compliance with loan covenants. As at 30 June 2009, the Group has unutilised syndicated loan facilities of HK$15,950 million (2008: HK$15,950 million) and other banking facilities of HK$1,502 million (2008: HK$1,602 million).

The following tables detail the contractual maturity of the Group and the Company for their financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. The interest payments are computed using contractual rates or, if floating, based on the prevailing market rates at the balance sheet date.

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

**Liquidity risk** (continued)

*Liquidity and interest risk tables*

**The Group**

| | Repayable on demand or less than 1 month HK$'000 | 1-2 months HK$'000 | Over 2 months but not more than 1 year HK$'000 | 1-5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 30.6.2008 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | |
| Non-interest bearing | | | | | | | |
| Trade and other payables | 115,244 | 18,864 | 43,185 | 15,969 | — | 193,262 | 193,262 |
| Rental and other deposits | 3,785 | 5,249 | 29,526 | 64,796 | 1,260 | 104,616 | 104,616 |
| Amounts due to associates | 9,865 | — | — | — | — | 9,865 | 9,865 |
| Amount due to a minority shareholder of a subsidiary | — | — | — | — | 78,969 | 78,969 | 59,979 |
| | 128,894 | 24,113 | 72,711 | 80,765 | 80,229 | 386,712 | 367,722 |

| | Repayable on demand or less than 1 month HK$'000 | 1-2 months HK$'000 | Over 2 months but not more than than 1 year HK$'000 | 1-5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 30.6.2009 HK$'000 |
|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | |
| Non-interest bearing | | | | | | | |
| Trade and other payables | **108,592** | **9,434** | **9,889** | **20,997** | **—** | **148,912** | **148,912** |
| Rental and other deposits | **6,639** | **4,334** | **32,907** | **75,043** | **1,260** | **120,183** | **120,183** |
| Amount due to a jointly controlled entity | **2,243** | **—** | **—** | **—** | **—** | **2,243** | **2,243** |
| Amounts due to associates | **9,741** | **—** | **—** | **—** | **—** | **9,741** | **9,741** |
| Amount due to a minority shareholder of a subsidiary | **—** | **—** | **—** | **—** | **78,969** | **78,969** | **61,929** |
| | **127,215** | **13,768** | **42,796** | **96,040** | **80,229** | **360,048** | **343,008** |

## 46. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

**Liquidity risk** (continued)

*Liquidity and interest risk tables (continued)*

**The Company**

| | *Repayable on demand or less than 1 month HK$'000* | *1-2 months HK$'000* | *Over 2 months but not more than 1 year HK$'000* | *1-5 years HK$'000* | *Over 5 years HK$'000* | *Total undiscounted cash flows HK$'000* | *Carrying amount at 30.6.2008 HK$'000* |
|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | |
| Non-interest bearing | | | | | | | |
| Trade and other payables | 5,446 | — | — | — | — | 5,446 | 5,446 |
| Amounts due to associates | 9,865 | — | — | — | — | 9,865 | 9,865 |
| Amounts due to subsidiaries | 316,480 | — | — | — | — | 316,480 | 316,480 |
| | 331,791 | — | — | — | — | 331,791 | 331,791 |

| | ***Repayable on demand or less than 1 month HK$'000*** | ***1-2 months HK$'000*** | ***Over 2 months but not more than 1 year HK$'000*** | ***1-5 years HK$'000*** | ***Over 5 years HK$'000*** | ***Total undiscounted cash flows HK$'000*** | ***Carrying amount at 30.6.2009 HK$'000*** |
|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | |
| Non-interest bearing | | | | | | | |
| Trade and other payables | **8,603** | — | — | — | — | **8,603** | **8,603** |
| Amounts due to associates | **9,741** | — | — | — | — | **9,741** | **9,741** |
| Amounts due to subsidiaries | **284,678** | — | — | — | — | **284,678** | **284,678** |
| | **303,022** | — | — | — | — | **303,022** | **303,022** |

### (c) Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of available-for-sale investments with standard terms and conditions which are traded on active liquid markets is determined with reference to quoted market bid prices.
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

## 47. PRINCIPAL SUBSIDIARIES

The following list contains only the details of the subsidiaries at 30 June 2009 and 2008 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except as otherwise indicated, all the subsidiaries are private companies incorporated and are operating principally in the place of incorporation and all issued shares are ordinary shares. None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

| | | Proportion of nominal value of issued capital held by the Company | | | | |
|---|---|---|---|---|---|---|
| | | Directly | | Indirectly | | |
| Name of company | Paid up issued capital | 2008 % | 2009 % | 2008 % | 2009 % | Principal activities |
| *Incorporated in Hong Kong:* | | | | | | |
| Banbury Investments Limited | 2 shares of HK$1 each | 100 | 100 | — | — | Property investment |
| Bayern Gourmet Food Company Limited | 3,000,000 shares of HK$1 each | — | — | 90 | 90 | Manufacture and sales of food |
| Chee Shing Company Limited | 9,680 shares of HK$100 each | 100 | 100 | — | — | Provision of management services |
| Exgratia Company Limited | 2 shares of HK$1 each | 100 | 100 | — | — | Property investment |
| GardenEast Limited | 10,000 shares of HK$100 each | — | — | 100 | 100 | Property investment |
| GardenEast Management Limited (formerly known as Nice Strength Investment Limited) | 300,000 share of HK$1 each | — | — | 100 | 100 | Property management |
| HH Finance Limited | 100,000 shares of HK$10 each | 100 | 100 | — | — | Loan financing |
| HHI Finance Limited | 1 share of HK$1 each | — | — | 73.01 | 70.27 | Loan financing |
| HITEC Management Limited | 300,000 shares of HK$1 each | — | — | 100 | 100 | Property management |
| Hopewell Centre Management Limited | 209,200 shares of HK$100 each | — | — | 100 | 100 | Property management |
| Hopewell China Development (Superhighway) Limited (ii) | 2 shares of HK$1 each and 4 non-voting deferred shares of HK$1 each | — | — | 71.18 | 68.51 | Investment in expressway project |
| Hopewell Construction Company, Limited | 200,000 shares of HK$100 each | — | — | 100 | 100 | Construction, project management and investment holding |
| Hopewell Food Industries Limited | 1,000,000 shares of HK$1 each | — | — | 100 | 100 | Restaurant operation |

## 47. PRINCIPAL SUBSIDIARIES (continued)

| Name of company | Paid up issued capital | Proportion of nominal value of issued capital held by the Company — Directly 2008 % | Directly 2009 % | Indirectly 2008 % | Indirectly 2009 % | Principal activities |
|---|---|---|---|---|---|---|
| *Incorporated in Hong Kong: (continued)* | | | | | | |
| Hopewell Guangzhou-Zhuhai Superhighway Development Limited (ii) | 2 shares of HK$1 each and 2 non-voting deferred shares of HK$1 each | — | — | 73.01 | 70.27 | Investment in expressway project |
| Hopewell Hotels Management Limited (formerly known as Mega Hotels Management Limited) | 3,000,000 shares of HK$1 each | — | — | 100 | 100 | Hotel management |
| Hopewell Property Management Company Limited | 2 shares of HK$100 each | — | — | 100 | 100 | Building and carpark management |
| Hopewell Real Estate Agency Limited | 30,000 shares of HK$100 each | — | — | 100 | 100 | Property agents and investment holding |
| Hopewell Wind Power (Hong Kong) Limited | 1 share of HK$1 each | — | — | — | 100 | Investment in a wind power project |
| H-Power Investor (HK) Limited | 1 share of HK$1 each | — | — | 87.5 | 87.5 | Investment in a power station project |
| International Trademart Company Limited | 2 shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each | — | — | 100 | 100 | Property investment and operation of a trademart |
| IT Catering and Services Limited | 2 shares of HK$1 each | — | — | 100 | 100 | Restaurant operations and provision of catering services |
| Kowloon Panda Hotel Limited | 2 shares of HK$100 each and 20,000 non-voting deferred shares of HK$100 each | — | — | 100 | 100 | Property investment, hotel ownership and operations |
| Lok Foo Company Limited | 52,000 shares of HK$100 each | 100 | 100 | — | — | Investment holding |

## 47. PRINCIPAL SUBSIDIARIES (continued)

| Name of company | Paid up issued capital | Proportion of nominal value of issued capital held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|
| | | Directly | | Indirectly | | |
| | | 2008 % | 2009 % | 2008 % | 2009 % | |
| *Incorporated in Hong Kong: (continued)* | | | | | | |
| Panda Place Management Limited | 300,000 shares of HK$1 each | — | — | 100 | 100 | Property management |
| QRE Plaza Limited | 1,000 shares of HK$100 each | — | — | 100 | 100 | Property investment |
| QRE Plaza Management Limited | 300,000 shares of HK$1 each | — | — | 100 | 100 | Property management |
| Slipform Engineering Limited | 1,000,001 shares of HK$1 each | — | — | 100 | 100 | Construction, project consultant and investment holding |
| Wetherall Investments Limited | 2 shares of HK$1 each and 2 non-voting deferred shares of HK$1 each | — | — | 100 | 100 | Property investment and investment holding |
| Yuba Company Limited | 10,000 shares of HK$1 each | — | — | 100 | 100 | Property investment |
| *Established in the PRC:* | | | | | | |
| 廣州市合和(花都)置業發展有限公司 | RMB99,200,000 (registered capital) | — | — | 95 | 95 | Property development |
| 廣州市冠暉物業管理有限公司 | RMB500,000 (registered capital) | — | — | 76 | 76 | Property management |
| 廣州誠滿物業管理有限公司 | RMB350,000,000 (registered capital) | — | — | 100 | 100 | Property management |

## 47. PRINCIPAL SUBSIDIARIES (continued)

| Name of company | Paid up issued capital | Proportion of nominal value of issued capital held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|
| | | Directly | | Indirectly | | |
| | | 2008 % | 2009 % | 2008 % | 2009 % | |
| *Incorporated in the British Virgin Islands:* | | | | | | |
| Anber Investments Limited | 1 share of US$1 each | — | — | 100 | 100 | Investment holding |
| Hopewell (Huadu) Estate Investment Company Limited | 1 share of US$1 each | 100 | 100 | — | — | Investment holding |
| Hopewell Wind Power Limited | 1 share of US$1 each | — | — | — | 100 | Investment holding |
| Procelain Properties Ltd. (i) | 1 share of US$1 each | — | — | 100 | 100 | Property investment |
| Singway (B.V.I.) Company Limited (i) | 1 share of US$1 each | — | — | 100 | 100 | Property investment |
| Yeeko Investment Limited | 1 share of US$1 each | — | — | 100 | 100 | Investment holding |
| *Incorporated in the Cayman Islands:* | | | | | | |
| Delta Roads Limited (i) | 46,422 shares of HK$10 each | — | — | 100 | 100 | Investment holding |
| Hopewell Highway Infrastructure Limited (iii) | 2,961,690,283 shares of HK$0.1 each | 0.29 | — | 72.72 | 70.27 | Investment holding |

*Notes:*

(i) Operating principally in Hong Kong

(ii) Operating principally in the PRC

(iii) Hopewell Highway Infrastructure Limited, a company listed on the Hong Kong Stock Exchange, is operating in Hong Kong and the PRC through its subsidiaries and jointly controlled entities.

The non-voting deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

Particulars of the subsidiaries, including those subsidiaries not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Hong Kong Companies Ordinance.

## 48. PRINCIPAL ASSOCIATES

Particulars regarding the principal associates at 30 June 2009 and 2008, which is incorporated and operating in Hong Kong, are as follows:

| *Name of company* | *Proportion of nominal value of issued capital held by the Group %* | *Principal activities* |
|---|---|---|
| Granlai Company Limited | 46 | Property investment |
| HCNH Insurance Brokers Limited | 25 | Insurance brokerage |

The directors are of the opinion that a complete list of all the associates will be of excessive length. Particulars of the associates, including those associates not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Hong Kong Companies Ordinance.

## 49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 87 to 158 were approved and authorised for issue by the Board of Directors on 26 August 2009.