



HOPEWELL HOLDINGS LIMITED

Stock Code: 54



**We focus on
SUSTAINABLE
GROWTH**

Annual Report 2010/11

Hopewell Holdings Limited, a Hong Kong-based group, was listed on The Stock Exchange of Hong Kong Limited in 1972 (stock code: 54). Over the years, the Group has established solid foundations for its core businesses of property and infrastructure in Hong Kong and the Pearl River Delta. Well recognised of its vision and pioneering projects, the Group adopts a long-term business strategy which facilitates the timely capture of high-potential business opportunities.



24 / 7 / 365

Whatever you do, wherever you are,
whenever the time,
we focus on your lifestyle needs.

Ever since its inception, the Group has been dedicated to implementing quality property projects that benefit the lives of the local population; and it continues to pursue this course with the same commitment today. The Group's portfolio of commercial, residential and hotel projects serve the needs of people from various walks of life, and are designed to enhance living with style 24 hours a day, 7 days a week and 365 days a year.



Panda Hotel

Broadwood Twelve

KITEC

Hopewell Centre

QRE Plaza

GardenEast

Hopewell New Town

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WE

focus on your GREEN ENVIRONMENT



08:38

@ BROADWOOD TWELVE

A luxury property development on Broadwood Road, Happy Valley,
Broadwood Twelve is a 45-storey apartment building
comprising 76 luxury residential units
with a gross floor area approximately 113,900 sq. ft.



10:15

@ GARDENEAST

Conveniently located in the centre of Wan Chai's commercial district, the premium GardenEast serviced apartments attract expatriates and young professionals.



WE

focus on your
SMART WORKPLACE



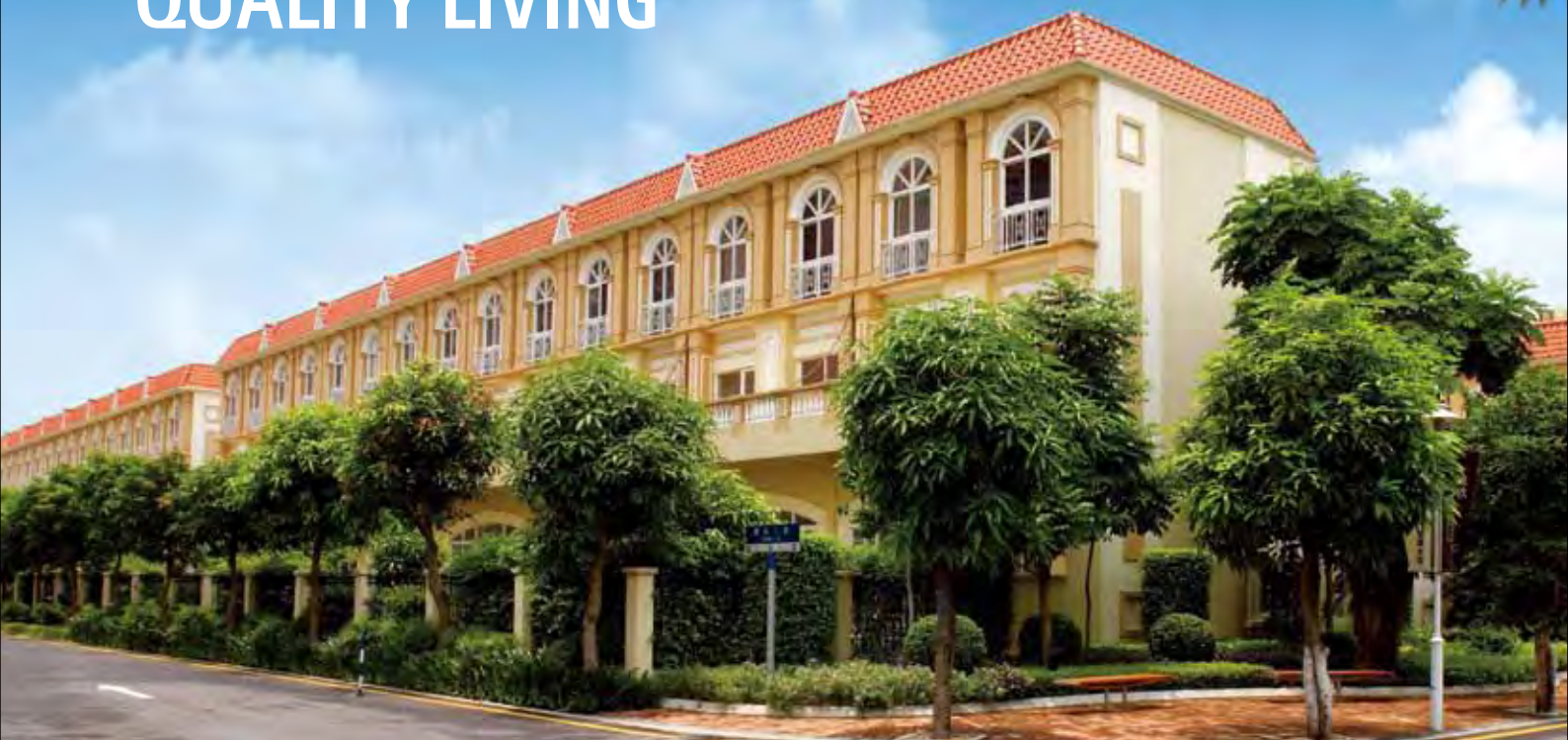
12:45

@ HOPEWELL CENTRE

Situated in the heart of Wan Chai, Hopewell Centre,
the Group's flagship property,
is a significant landmark in Hong Kong
that hosts 840,000 sq. ft. of office and retail space.

WE

focus on your
QUALITY LIVING



16:33

@ HOPEWELL NEW TOWN

This multi-phase composite development project in Huadu District of Guangzhou consists of apartments, townhouses, commercial areas and recreational facilities.





18:12

@ QRE PLAZA

An iconic one stop "Quality lifestyle, Relaxation and Entertainment" hub in the centre of Wan Chai comprising a wide array of chic restaurants and lifestyle retail stores.

WE

focus on your
VIBRANT DINING EXPERIENCE



19:20

@ THE EAST

This vibrant and aesthetic lifestyle zone brings together Hopewell Centre, ORE Plaza, Wu Chung House and GardenEast into an interconnected paradise of superb dining and entertainment in Wan Chai.

WE

focus on your
LEISURE LIFESTYLE



20:35

@ KITEC

A commercial and retail complex in the focal point of Kowloon Bay
spanning offices, convention and exhibition halls
and a shopping mall known as E-Max.



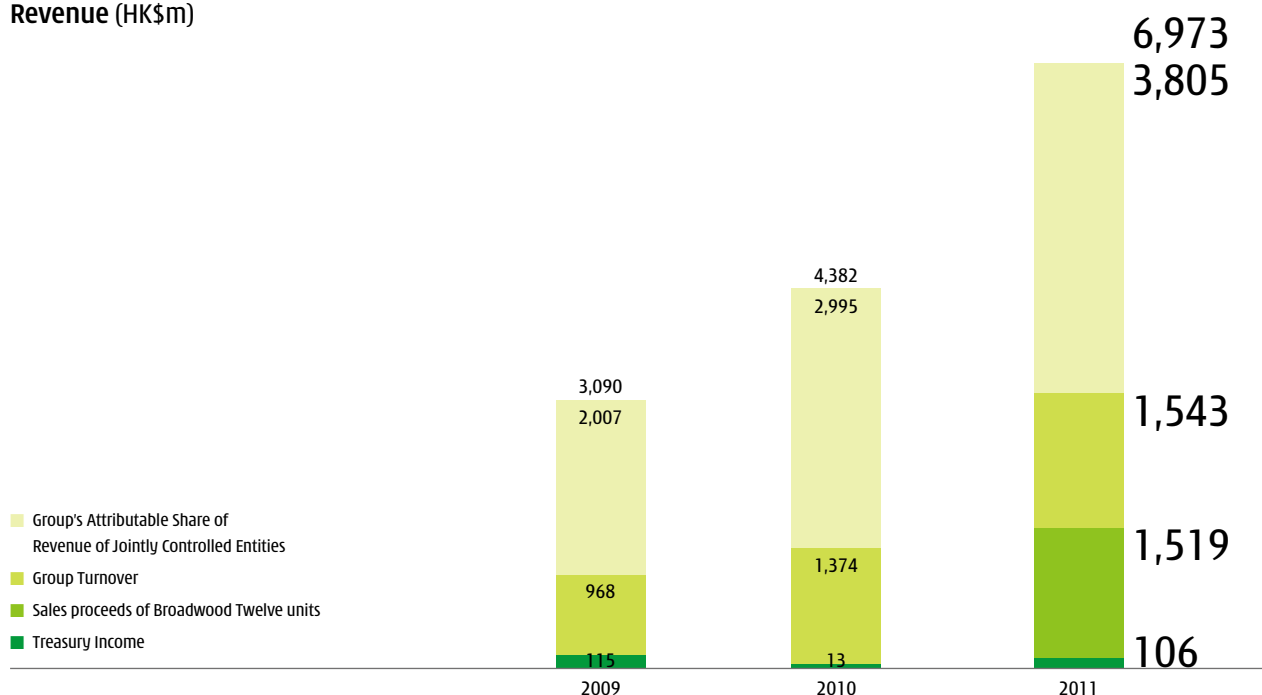
21:12

@ E-Max

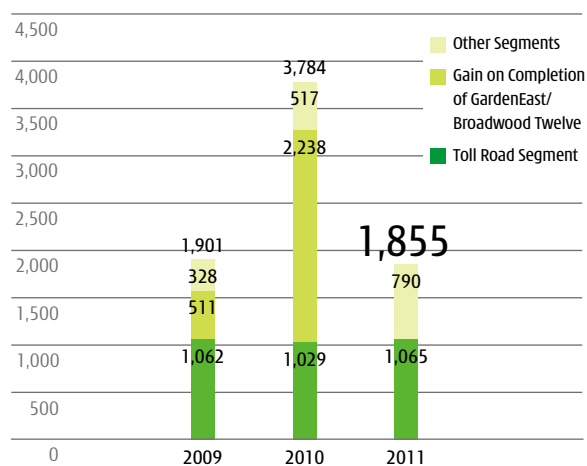
An entertainment hotspot and destination shopping complex in Eastern Kowloon District providing ideal locations for conventions and exhibitions, concerts, entertainment, dining and shopping all under one roof.

Financial Highlights

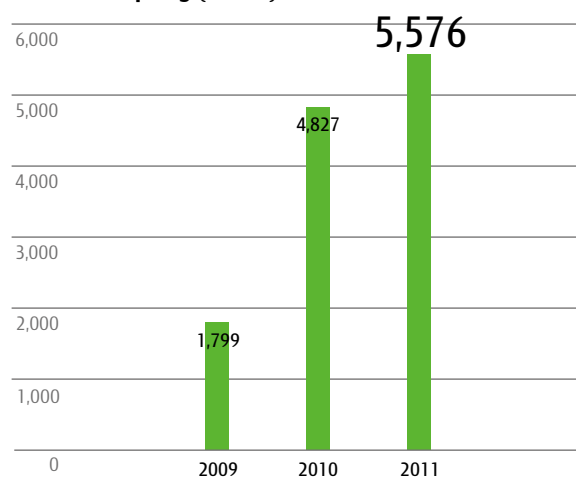
Revenue (HK\$m)



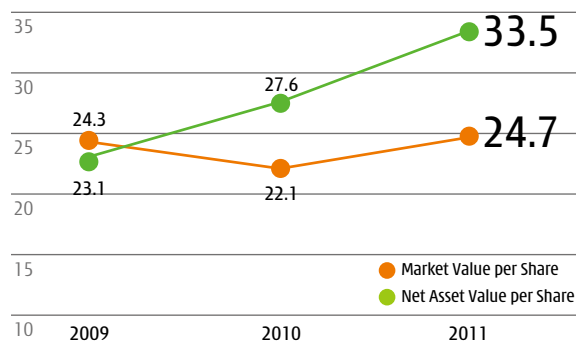
Earnings before Interest and Tax (HK\$m)



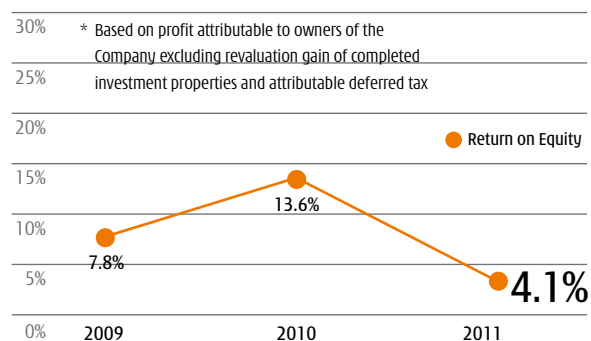
Profit Attributable to Owners of the Company (HK\$m)



Net Asset Value vs Market Value per Share (HK\$)



Return on Equity*



5-Year Financial Summary

Consolidated Results (in HK\$ million)	Year ended 30 June				
	2007 (restated)	2008 (restated)	2009 (restated)	2010 (restated)	2011
Turnover	1,001	915	968	1,374	1,543
Earnings before interest and tax	2,703	1,894	1,901	3,784	1,855
Profit before taxation	3,154	6,868	2,219	5,328	6,171
Taxation	(107)	(276)	(103)	(187)	(252)
Profit before non-controlling interests	3,047	6,592	2,116	5,141	5,919
Non-controlling interests	(399)	(550)	(317)	(314)	(343)
Profit attributable to owners of the Company	2,648	6,042	1,799	4,827	5,576

Consolidated Statement of Financial Position (in HK\$ million)	As at 30 June				
	2007 (restated)	2008 (restated)	2009 (restated)	2010 (restated)	2011
Investment properties	6,870	8,031	9,240	10,582	14,945
Property, plant and equipment	577	589	676	797	788
Properties under development	1,202	1,314	1,196	864	978
Interests in jointly controlled entities	6,964	5,561	6,705	7,038	8,282
Amounts due from jointly controlled entities (non-current)	283	55	25	1,600	1,753
Other non-current assets	379	89	63	56	622
Current assets	7,948	12,346	5,877	7,241	9,462
Total assets	24,223	27,985	23,782	28,178	36,830
Non-current liabilities	(87)	(226)	(308)	(340)	(3,187)
Current liabilities	(1,314)	(681)	(574)	(1,018)	(1,496)
Total liabilities	(1,401)	(907)	(882)	(1,358)	(4,683)
Non-controlling interests	(3,023)	(3,236)	(2,604)	(2,610)	(2,800)
Shareholders' equity	19,799	23,842	20,296	24,210	29,347

Per Share Basis					
	2007 (restated)	2008 (restated)	2009 (restated)	2010 (restated)	2011
Basic earnings per share (HK cents)	295	673	204	550	636
Dividend per share (HK cents)	155	260	472	99	148
– Interim	38	55	40	45	45
– Final	82	40	58	54	58
– Special	35	165	374 [#]	–	45
Net asset value per share (HK\$)	22.0	26.7	23.1	27.6	33.5

[#] Including extraordinary special interim dividend of HK330 cents and distribution in specie of shares in HHI of HK43.7 cents.

Financial Ratios					
	2007 (restated)	2008 (restated)	2009 (restated)	2010 (restated)	2011
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Return on equity*	12.3%	24.2%	7.8%	13.6%	4.1%
Dividend payout ratio*	57%	40%	57% ^Δ	30%	56% [#]

^Δ Excluding extraordinary special interim dividend of HK330 cents and distribution in specie of shares in HHI of HK43.7 cents.

* Excluding revaluation gain of completed investment properties and attributable deferred tax.

[#] Taking into account of net realised gain of approximately HK\$1.1 billion on property sale of Broadwood Twelve.



“Since the aggregate annual distributable earnings from the prime-earning businesses now exceeds HK\$1.2 billion, and with its diverse financing sources, the Group is in an excellent position to implement its existing projects, as well as to identify and capture investment opportunities in the PRD region and beyond, in order to achieve sustainable future growth. ”

I am pleased to report to shareholders that the Group achieved satisfactory results during the financial year ended 30 June 2011. The Group's revenue and earning before interest and tax (EBIT) of each of its prime-earning businesses recorded growth. Its revenue for the year, including proceeds from sales of investment properties that had been held for sale (i.e. Broadwood Twelve) rose substantially to HK\$6,973 million, 59% more than the previous year's figure. The increased revenue was mainly attributable to the sale of residential units at Broadwood Twelve, the growth in GS Superhighway and Phase II West's toll revenues, and revenue from Heyuan Power Plant. The Group's EBIT (and before any fair value gains on investment properties) rose by 20% to HK\$1,855 million year-on-year. Owing to the significant fair value gain on completed investment properties of HK\$4,395 million recorded for the year, the profit attributable to owners of the Company also rose by approximately 16% to HK\$5,576 million. As a result, the Group's basic earnings per share amounted to HK\$6.36, a 16% increase on the previous year's HK\$5.50.

Final Dividend and Special Final Dividend ►

The Board has proposed a final dividend of HK58 cents per share plus a special final dividend of HK45 cents per share for the year ended 30 June 2011. Together with an interim dividend of HK45 cents per share that has already been paid, the total dividends for the year will amount to HK148 cents per share. This represents an increase of 49% on the last financial year's total dividends of HK99 cents per share and a payout ratio of 107% of the Company's profit attributable to the owners of the Company, excluding the revaluation gain on completed investment properties, or a payout ratio of 56% if the net realised gain of approximately HK\$1.1 billion on property sale of Broadwood Twelve recorded in FY10 was taken into account.

Subject to shareholders' approval at the Annual General Meeting on 20 October 2011, the proposed final dividend and special final dividend will be paid on 2 November 2011 to shareholders who were registered at the close of business on 26 October 2011.

Closure of Register ►

To ascertain shareholders' entitlement to the proposed final dividend and special final dividend, the Register of Members of the Company will be closed for one day on Wednesday, 26 October 2011, if and only if the proposed final dividend and special final dividend are approved by the shareholders at the Annual General Meeting. No transfer of shares of the Company will be effected on the aforementioned book-close date. To qualify for the proposed final dividend and special final dividend, all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 25 October 2011.

To ascertain shareholders' eligibility to attend and vote at the Annual General Meeting to be held on 20 October 2011, the Register of Members of the Company will be closed from Thursday, 13 October 2011 to Thursday, 20 October 2011, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the Annual General Meeting, all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 12 October 2011.

Business Review ►

During the year under review, the global economy remained fragile, with the pace of economic recovery uneven in different regions, and stagnant in some. Despite various "quantitative easing" measures, the United States economy has not yet started to rebound. The contagious sovereign debt crisis among member countries of the European Union has put intense pressure on the interest rate spreads of sovereign debt. Although substantial steps have been taken to address this crisis, the successful implementation of long-term plans to reform tax and fiscal policies in the region still has a long way to go. In Asia, efforts to curb inflation - which is being driven by the strength of emerging economies and abundant global liquidity - have hampered growth to a certain extent.

The PRC's economic and financial strength, its increasing share of global GDP and its rising credit quality and currency have combined to create a strong case for long-term investment in its assets. Increasing investment in fixed assets and burgeoning domestic consumption continue to drive China's property and financial markets. Despite various measures to curb soaring inflation and tighten credit, China's second-quarter GDP rose by 9.5% year-on-year, compared with 9.7% in the first quarter. Both imports and exports maintained their strong growth, boosting the Pearl River Delta region's transportation industry.

The integration of its economy and transportation network with those of Mainland China has benefited the Hong Kong economy, and its real GDP grew at the fastest pace for several years. Strong local retail spending and an influx of visitor arrivals continued to underpin this growth, which was further backed by an improvement in the labour market. However, the export sector was hindered to a certain extent by the slow recovery of developed economies. The booming property market has eased slightly since the Hong Kong Government introduced extra restrictions on mortgages for non-local purchasers. Nonetheless, many affluent investors and end-users are taking advantage of low interest rates to snap up luxury flats.

The Group's property and infrastructure businesses continued to benefit from the fast-paced economic recovery and development seen in the PRD region and Hong Kong during the past year.

Properties – sales

In May 2010, the Group decided to sell the luxury residential units at Broadwood Twelve, instead of holding them for rental as originally planned. As of 30 June 2011, 41 units or 54% of Broadwood Twelve's 76 units had been sold at an average price of around HK\$25,000 per square foot (based on gross floor area as disclosed in the marketing brochure). Of these 41 units sold, 36 units were booked during this year. The net realised profit attributable to the residential units and car-parking spaces sold and booked up to 30 June 2011, including fair value gains booked in FY10 and the year under review, amounted to approximately HK\$1.1 billion.

A number of residential units at Hopewell New Town in Huadu were also sold and booked during the year under review. These had a plot ratio gross floor area (GFA) of approximately 57,000 square metres, of which the average selling price of the apartments amounted to around RMB6,200 per square metre for FY11, whilst it reached around RMB7,000 per square metre in the second quarter of 2011. Only a few completed residential units remained unsold as of 30 June 2011. Subsequent to the year end, the Group has fully pre-sold 40 townhouses, which have been put up for pre-sale starting July 2011, at the average selling price of about RMB20,000 per square metre.

Properties – rental

Robust demand for office and retail space in Hong Kong continued to support the strong performance of the Group's investment properties. The total rental revenue derived from these grew by 8% year-on-year. The EBIT of the property letting, agency and management business for the financial year reached HK\$400 million. The five-year compound annual growth rates for the revenue and EBIT of investment properties between FY07 and FY11 were 14% and 18% respectively.

In terms of average occupancy rates, GardenEast recorded the most significant increase among all the Group's properties, rising to 96%. Meanwhile, KITEC E-Max and GardenEast achieved the best performance in the Group's portfolio in terms of the growth in their average rental rate.

Infrastructure

The steady increase in private car ownership has resulted in a rise in the number of Class 1 small cars using our toll roads in the PRD region, and the revenue derived from such vehicles. On the other hand, the number of Class 4 and 5 commercial trucks and toll revenue derived from them continued to recover as import and export traffic in the PRD region rebounded.

The continuous increase in traffic of GS Superhighway and the opening of Phase II of the Western Delta Route in June 2010 were the main contributing factors to the significant growth in the revenue of the Group's toll road business, which was up by about 17% year-on-year to HK\$2,275 million. The average daily toll revenue of Phase II West grew by 85% between July 2010 and July 2011. The combined revenue from Phase I West and Phase II West accounted for about 11% of the total revenue from the Group's entire toll road business during the financial year.

The Enterprise Income Tax rate applicable to both GS Superhighway and Phase I West rose to 24%, effective from 1 January 2011. Taking this into account, and also the net exchange gain resulting from the Renminbi's appreciation, the EBIT of toll road business (after interest and tax of JCEs) for the year increased by about 3% to HK\$1,065 million.

Construction work on Phase III of the Western Delta Route is making good progress, and it is planned for completion in the first half of 2013. The Group currently plans to invest approximately RMB5.6 billion in this project. This will be funded partly by proceeds raised through its issues of RMB bonds valued at RMB1.38 billion in July 2010 and RMB0.6 billion in May 2011.

“ The Group's revenue and earning before interest and tax of each of its prime-earning businesses recorded growth. ”

“ The Group's property and infrastructure businesses continued to benefit from the fast-paced economic recovery and development seen in the PRD region and Hong Kong during the past year. ”

“To demonstrate our commitment to transparency and accountability towards our stakeholders, the Company will issue its first independent Sustainability Report according to the Global Reporting Initiative sustainability framework this year.”

Heyuan Power Plant's total revenue at joint venture level rose by 40% to RMB3,261 million while the amount of electricity it generated increased by about 40% to approximately 8,100Gwh. The plant's utilisation rate during the year reached 77%. However, due to escalating coal prices, the attributable share of the plant's EBIT for the year increased by only 4% to HK\$123 million.

Corporate Sustainability ▶

To demonstrate our commitment to transparency and accountability towards our stakeholders, the Company will issue its first independent Sustainability Report according to the Global Reporting Initiative (GRI) sustainability framework this year. This report, with only online version to be made available on the website of the Company, will present the company-wide commitment to sustainable development during the FY11 and cover the significant economic, environmental and social achievements and impacts arising from the activities of the Group and its JCEs.

Prospects ▶

The scope of the European sovereign debt crisis will probably continue to spread and create financial tensions in the Euro zone. However, substantial steps to resolve it have already been put in place. The recent downgrade of US sovereign debt by the Standard & Poor's and the weak performance of the US economy may help to build momentum for other measures aimed at boosting employment and an extension of the current tax relief. These will probably be coupled with further quantitative easing. Even so, uncertainty about any changes in the policies of either the European Union or United States are likely to heighten the risk factors in the global economy.

The emerging economies are set to become the main engines of global growth. Although the PRC's Central Government has taken macro-economic measures to tighten credit and curb the recent rapid increases in food and commodity prices, they will only serve to slow down the overall pace of growth.

Consumption in the PRC - which is still considerably undeveloped - will continue to fuel relatively rapid economic expansion in the coming years.

In Hong Kong, inflationary pressures have been increasing in line with the economic upswing. Increasing rental costs, particularly private housing rentals, in the course of the past year will also flow through to the consumer price indices.

Following the success of its first RMB bond issue in July 2010, HHI, the Group's infrastructure arm, conducted a second one in May 2011. Some of its total proceeds of RMB1,980 million will be used for a capital injection or shareholder's loans to Phase III West. The project's completion - planned for first half of 2013 - and the opening of the Hong Kong-Zhuhai-Macau Bridge in 2016 will further enhance the PRD region's highway network. Meanwhile, the opening of all three phases of the Western Delta Route will serve as a platform for the long-term growth of the Group's toll road business.

A total of 45 residential units at Broadwood Twelve had been sold up to 22 August 2011, leaving only 31 units available for sale. The average price of the units sold was around HK\$25,200 per square foot (based on gross floor area as disclosed in the marketing brochure). Considering this development's uniqueness, the Group will continue to make units available for sale in an orderly manner, so as to satisfy the market's demand. Pre-sale of the Hopewell New Town units target to be completed in FY12 has been scheduled for the first half of that year. They will have a total plot ratio GFA of 58,000 square metres. Pre-sale of townhouses, which commenced in July 2011, has received encouraging market response. The remaining area to be developed in Hopewell New Town accounts for more than 70% of the entire development in terms of plot ratio GFA. It will be completed and offered for pre-sale in future years, in accordance with the development plan.

As stated in last year's report, the Group has been enlarging, upgrading, and renovating its investment property portfolio during recent years. The portfolio

currently has a total floor area of approximately 3.5 million square feet. Construction of the Lee Tung Street Project is making good progress, while that of both Hopewell Centre II and the Liede Integrated Commercial Project will commence in due course. These three projects will substantially expand the Group's property and hospitality businesses in the coming years.

Since the aggregate annual distributable earnings from the prime-earning businesses now exceeds HK\$1.2 billion, and with its diverse financing sources, the Group is in an excellent position to implement its existing projects, as well as to identify and capture investment opportunities in the PRD region and beyond, in order to achieve sustainable future growth.

Changes of Director ►

Mr. Lee Yick NAM resigned as an Independent Non-Executive Director of the Company with effect from 14 May 2011. I would like to take this opportunity to thank Mr. NAM for his valuable contribution to the Company during his tenure of office.

Acknowledgements ►

I would like to take this opportunity to thank the Group's shareholders, customers, suppliers and business partners for their continuous support and efforts. In addition, I would also like to express my gratitude to the Managing Director, my fellow Directors, the management team and all staff members for their loyalty, support and hard work. Their contributions have been indispensable for the Group's strong performance during the past year, and its prospects for the years to come.

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 25 August 2011

Awards & Recognition



Lifetime Achievement Award

1 11/2010

Lifetime Achievement Award ▶

CNBC presented The Lifetime Achievement Award to Sir Gordon WU, the Chairman of HHL, at the 9th Asia Business Leaders Awards. The award honours Sir Gordon WU for his significant contributions in shaping, growing and developing the economic landscape.

2 11/2010

Director of the Year Award ▶

Mr. Thomas Jefferson WU, the Managing Director of HHL, was awarded the Director of the Year Award 2010 by The Hong Kong Institute of Directors, recognising his contribution in promoting good corporate governance and director professionalism.



Director of the Year Award

3 3/2011

Debt & Equity-linked Deal of the Year ▶

The Renminbi bond issue of HHI, subsidiary of HHL, in July 2010 was named one of Debt & Equity-linked Deal of the Year at the Asian Awards 2011 organised by the International Financial Law Review, a leading magazine covering developments in the law of international finance.

4 3/2011

Best IR Award & Best CSR Award ▶

HHL was presented the Best IR and Best CSR Awards at the 1st Asian Excellence Recognition Awards organised by Corporate Governance Asia, one of the most influential publications on corporate governance in the region. The Asian Excellence Recognition Awards aim to recognise excellence in investor communication, business ethics, CSR, environmental practices and financial performance.



5



6



7



Best IR Award & Best CSR Award



Asia Pacific Customer Relationship Excellence Awards

5 4/2011

Caring Company Logo ▶

HHL and seven of its subsidiaries, namely HHI, Hopewell Real Estate Agency Limited, Hopewell Property Management Company Limited, KITEC Management Limited, Hopewell Centre Management Limited, Panda Place Management Limited and Panda Hotel were awarded the Caring Company Logo 2010/2011 by the Hong Kong Council of Social Service in recognition of the active participation in community activities and good corporate citizenship. Among these, Panda Hotel received the 5 Years Plus Caring Company Logo.

6 6/2011

Corporate Governance Asia Recognition Award and Asian Corporate Director Recognition Award ▶

HHL was awarded The Best of Asia Award in the 7th Corporate Governance Asia Recognition Awards 2011 and Mr. Thomas Jefferson WU, the Managing Director of HHL, was recognised at the 2nd Asian Corporate Director Recognition Awards 2011 organised by Corporate Governance Asia.

7 6/2011

Asia Pacific Customer Relationship Excellence Awards ▶

Two subsidiaries of HHL, Hopewell Real Estate Agency Limited and Hopewell Property Management Company Limited, received three accolades at the 2010 Customer Relationship Excellence Awards for their quality service in property and facilities management.

Winner	Award
Hopewell Real Estate Agency Limited - Hopewell Centre	Integrated Support Team of the Year (Property Management)
Hopewell Real Estate Agency Limited - Broadwood Twelve	Field Support Team of the Year (Property Management)
Hopewell Property Management Company Limited	Outsourcing Team of the Year (Property Management)





Sir Gordon Ying Sheung WU



Mr. Eddie Ping Chang HO

Executive Directors

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Aged 75, he is the Chairman of the Board of the Company. He is also the Chairman of HHI, the listed subsidiary of the Company, and a director of various subsidiaries of the Company.

He graduated from Princeton University with a Bachelor of Science degree in engineering in 1958. As one of the founders of the Company, he was the Managing Director from 1972 to December 2001 before he became the Chairman. He was responsible for the Company's infrastructure projects in the PRC and South-East Asia and has been involved in the design and construction of numerous buildings and development projects in Hong Kong, the PRC and overseas, including the Shajiao B power plant which received the British Construction Industry Award and setting a world record of completion within 22 months. He is the husband of Lady WU, a Non-Executive Director of the Company and the father of Mr. Thomas Jefferson WU, the Managing Director of the Company.

Sir Gordon WU is very active in civic activities and community service, his civic and community duties include:

In the PRC

Member

National Committee of the Chinese People's Political Consultative Conference ("CPPCC")

Vice Chairman

Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese (Special committee of CPPCC)

Council Member

United Nations Association of China

Advisor

China Development Bank

In Hong Kong

Vice President

The Real Estate Developers Association of Hong Kong

Patron

Hong Kong Logistics Association

Honorary Vice President

Hong Kong Football Association Limited

Sir Gordon WU received Honorary Doctorate Degrees from The Hong Kong Polytechnic University, University of Strathclyde, UK, University of Edinburgh, UK, Lingnan University, Hong Kong and City University of Hong Kong. He is a Fellow of The Institution of Civil Engineers, UK, The Chartered Institute of Logistics and Transport in Hong Kong and Hong Kong Academy of Engineering Sciences. He is also an Honorary Fellow of Australian Society of Certified Practising



Mr. Thomas Jefferson WU



Mr. Josiah Chin Lai KWOK

Accountants. He has been appointed the Honorary Consul of The Republic of Croatia in the Hong Kong SAR. His other awards include:

Honorary Citizen

- The City of New Orleans, USA
- The City of Guangzhou, PRC
- The City of Foshan, PRC
- The City of Shenzhen, PRC
- The District of Shunde, PRC
- The District of Nanhai, PRC
- The District of Huadu, PRC
- The Province of Quezon, the Philippines

Awards and Honours

- 2010**
 - The Lifetime Achievement Award of the 9th Asia Business Leaders Award by CNBC
- 2007**
 - Officer de L'Ordre de la Couronne by HM Albert II, the King of Belgium
- 2007**
 - The Order of Croatian Danica with figure of Blaz Lorkovic by the Republic of Croatia
- 2004**
 - Gold Bauhinia Star (G.B.S.) by the Hong Kong SAR

2004

- Leader of the Year 2003 (Business/Finance) by Sing Tao Newspaper Group

2003

- Personality of the Year 2003 by the Asian Freight & Supply Chain Awards

1997

- Knight Commander of the Order of St. Michael and St. George for Services to British Exports by the Queen of England

1996

- Industry All-Star by Independent Energy, USA

1996

- International CEO of the Year by George Washington University, USA

1994

- Among "the Best Entrepreneurs" by Business Week

1994

- Man of the Year by the International Road Federation, USA

1991

- Business Man of the Year by the South China Morning Post and DHL

1991

- Asia Corporate Leader by Asia Finance Magazine, HK

1985

- Chevalier de L'Ordre de la Couronne by the King of Belgium



Mr. Albert Kam Yin YEUNG



Mr. Eddie Wing Chuen HO Junior

Mr. Eddie Ping Chang HO

Aged 78, he has been the Vice Chairman of the Company since August 2003. He is the Vice Chairman of HHI and a director of various subsidiaries of the Company. He was previously the Deputy Managing Director of the Company since 1972 and the Managing Director of the Company from January 2002 to September 2009. He has extensive experience in implementation of property development and major infrastructure strategic development projects and has been involved in developing all of the Company's projects in the PRC, including highway, hotel and power station projects. He is an Honorary Citizen of the cities of Guangzhou, Foshan and Shenzhen, and the Shunde District in the PRC. He is the father of Mr. Eddie Wing Chuen HO Junior, an Executive Director of the Company.

Mr. Thomas Jefferson WU

Aged 38, an Executive Director of the Company since June 2001 and the Chief Operating Officer since January 2002. He was appointed as Deputy Managing Director of the Company in August 2003 and was promoted to Co-Managing Director of the Company in July 2007. On 1 October 2009, he has been re-designated as the Managing Director of the Company. He is also the Managing Director of HHI and a director of various subsidiaries of the Company. He is responsible for the overall management of the Company.

Mr. WU joined the Company in 1999 as manager of Executive Committee Office, and was promoted to Group Controller in March 2000. He has been involving in the review of the Company's operational performance, strategic planning and organizational effectiveness and has upgraded its financial and management accounting systems. He holds a Master of Business Administration degree from Stanford University and a Bachelor of Science degree in Mechanical and Aerospace Engineering from Princeton University.

In 2006, the World Economic Forum selected Mr. WU as a "Young Global Leader". He was also awarded the Director of the Year Award 2010 by The Hong Kong Institute of Directors in November 2010 and the Asian Corporate Director Recognition Award by Corporate Governance Asia in June 2011. He is a member of the Heilongjiang Provincial Committee of the 10th Chinese People's Political Consultative Conference, a Standing Committee member and a member of the Huadu District Committee of The Chinese People's Political Consultative Conference, a member of the 11th National Committee of the All-China Youth Federation, a member of Executive Committee of All-China Federation of Industry & Commerce and an Honorary Citizen of the City of Guangzhou in the PRC. Mr. WU is also a member of the Advisory Committee of the Securities and



Mr. William Wing Lam WONG



Ir. Leo Kwok Kee LEUNG

Futures Commission, a member of the Hongkong Japan Business Co-operation Committee of Hong Kong Trade Development Council, a member of the Hong Kong SAR Government Steering Committee on the Promotion of Electric Vehicles, a council member of The Hong Kong Polytechnic University, a member of the Court of The Hong Kong University of Science and Technology, a member of the board of directors of The Community Chest of Hong Kong and The Hong Kong Sports Institute Limited, Honorary Consultant of the Institute of Accountants Exchange, Honorary President of the Association of Property Agents and Realty Developers of Macau, Honorary President of the Association of Huadu in Macau, Vice Chairman of the Chinese Ice Hockey Association, Honorary President of the Macau Ice Sports Federation, Co-Founder and Chairman of Hong Kong Amateur Hockey Club Limited, Founder and Chairman of Hong Kong Academy of Ice Hockey Limited, Honorary Chairman of Ice Hockey Association of Taipei Municipal Athletics Federation and an independent director of Melco Crown Entertainment Limited.

Mr. WU is a son of Sir Gordon WU, the Chairman of the Board and Lady WU, a Non-Executive Director of the Company.

Mr. Josiah Chin Lai KWOK

Aged 59, he was appointed as Deputy Managing Director of the Company in January 2002 and is also a director of various subsidiaries of the Company. He is a solicitor by training. Previously, he worked as a consultant to the Company on various important projects such as Guangzhou-Shenzhen-Zhuhai Superhighway, Shajiao B and C Power Stations, etc. Afterwards, he worked as Secretary for The Hong Kong Association of Banks, Legal Director of The Airport Authority, Hong Kong and Group Legal and Compliance Director of the BNP Paribas Peregrine Group.

Mr. Albert Kam Yin YEUNG

Aged 60, he was appointed as an Executive Director of the Company in November 2002 and is also a director of various subsidiaries of the Company. He is an experienced architect and mainly responsible for overseeing property development and construction. Prior to joining the Company, he was a director of WMKY Limited from 1986 to 1998 and acted as a consultant of the Company's development and construction projects. He holds a Bachelor of Architecture degree from the University of Hong Kong. He is a Registered Architect, an Authorised Person, and a member of The Hong Kong Institute of Architects and various professional bodies.



Mr. Henry Hin Moh LEE



Lady WU Ivy Sau Ping KWOK

Mr. Eddie Wing Chuen HO Junior

Aged 42, he was appointed as an Executive Director of the Company since August 2003 and is also a director of certain subsidiaries of the Company. He joined the Company in 1994 and held various management positions, including Director of Marketing and Sales and Deputy General Manager, at the Company's Kowloonbay International Trade and Exhibition Centre in Kowloon Bay. He is now involved in the power plant business. He holds a Bachelor of Arts degree from California State University in the United States. He is a son of Mr. Eddie Ping Chang HO, the Vice Chairman of the Company.

Mr. William Wing Lam WONG

Aged 54, he was appointed as an Executive Director of the Company in January 2007. He has a Bachelor Degree in Land Economy from Aberdeen University, United Kingdom and is a Registered Professional Surveyor. He has over 20 years of experience in property and land matters. He was an Associate Director of the Company from May 2005 to January 2007. He is mainly responsible for property sales and leasing and currently a director of certain subsidiaries of the Company. Prior to joining the Company, he was a director of Savills (Hong Kong) Limited, an international property consultants firm.

Ir. Leo Kwok Kee LEUNG

Aged 52, he was appointed as a Non-Executive Director of the Company on 1 July 2009 and has been re-designated as an Executive Director of the Company on 1 October 2009. Ir. LEUNG joined a subsidiary of the Company in 1993. He was previously in-charge of the architecture, engineering and construction of all in-house projects of the Company for about 10 years before he was transferred to HHI in 2003. He is an experienced engineer and an expert in designing and applying slipform and climbform techniques. He worked for Brown & Root and Ove Arup & Partners before joining the Company and had acquired a wide range of design and construction experiences in Europe, Africa and Asia in highways, bridges, buildings, dams and tunnel structures. He graduated from Imperial College of the University of London with a Master of Science degree with Distinction in Earthquake Engineering and Structural Dynamics. He was also awarded a Bachelor of Science degree with First Class Honours from the Council for National Academic Awards in Civil Engineering as well as the Institution of Civil Engineers' Prize for his outstanding undergraduate performance. In 2004, he was further awarded the PRC National Class 1 Registered Structural Engineers qualification. He serves as committee members to a number of Professional Institutions and is currently the Deputy-Chairman of the Civil Division of the Hong Kong



Mr. Carmelo Ka Sze LEE



Mr. Guy Man Guy WU

Institution of Engineers (2010-2011). He was the Chairman of the Hong Kong Branch of The Institution of Highways and Transportation (2006-2007). He was an Executive Director of HHI from 2003 to 2009 and responsible for the planning, design, engineering and construction of projects within HHI.

Non-Executive Directors

Mr. Henry Hin Moh LEE

Aged 83, he has been with the Company since the Company was listed in 1972. He is a Non-Executive Director and a Consultant of the Company. Prior to his retirement from executive duties of the Company in December 2001, he was responsible for real estate development and property rental and sales of the Company. He was actively engaged in the property business in Hong Kong. He is an Honorary Citizen of the city of Foshan and the Shunde district in the PRC.

Lady WU Ivy Sau Ping KWOK JP

Aged 62 and a Non-Executive Director of the Company, she joined the Board in August 1991. She serves on the committees and boards of numerous social organizations including Asian Cultural Council (Hong Kong), Asia Society (Hong Kong Center) and Hong Kong Red Cross. She is the wife of Sir Gordon WU, the Chairman of the Board and the mother

of Mr. Thomas Jefferson WU, the Managing Director of the Company.

Mr. Carmelo Ka Sze LEE

Aged 51, he was appointed as an Independent Non-Executive Director of the Company in March 2001 and was re-designated as a Non-Executive Director on 6 September 2004. He was appointed as the Chairman of the Remuneration Committee of the Company in May 2011. He holds a Bachelor of Laws degree from The University of Hong Kong. He is a practicing solicitor and a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries, which firm rendered professional services to the Company and received normal remuneration for such services. He is a non-executive director of six other public companies listed on the Stock Exchange, namely, China Pharmaceutical Group Limited, The Cross-Harbour (Holdings) Limited, Yugang International Limited, Y. T. Realty Group Limited, Safety Godown Company, Limited and Termbay Industries International (Holdings) Limited. He is also an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd, two other public companies listed on the Stock Exchange. He is also a Deputy Chairman of the Listing Committee of the Stock Exchange.



Ms. Linda Lai Chuen LOKE



Mr. Sunny TAN

Independent Non-Executive Directors

Mr. Guy Man Guy WU

Aged 54 and an Independent Non-Executive Director of the Company, he joined the Board in 1987. He is also a member of the Audit Committee of the Company. He was appointed as a member of the Remuneration Committee of the Company in May 2011. He has a Bachelor of Science degree in industrial engineering from Purdue University, U.S.A. He is also the Managing Director of the Liverton Group and Video Channel Productions Limited.

Ms. Linda Lai Chuen LOKE

Aged 73 and an Independent Non-Executive Director of the Company, she joined the Board in August 1991 and is also a member of both the Audit Committee and the Remuneration Committee of the Company. A graduate of the University of California at Berkeley, she has over 30 years of professional experience in the securities and investment field. She was the emeritus Managing Director of Dean Witter Reynolds (Hong Kong) Limited and Vice President (Private Wealth Management) at Morgan Stanley Inc.

Mr. Sunny TAN

Aged 37, he was appointed as an Independent Non-Executive Director of the Company in November 2010 and the Chairman of the Audit Committee of the Company in May 2011. He is an executive director and the chief financial officer of Luen Thai Holdings Limited ("Luen Thai"), a listed public company in Hong Kong. Mr. TAN joined Luen Thai in 1999. Prior to joining Luen Thai, Mr. TAN worked at the investment banking division of Merrill Lynch. In 2006, he was appointed as a special advisor to the Governor of Commonwealth of the Northern Mariana Islands. In 2009, Mr. TAN was appointed as the Vice Chairman of the Hong Kong General Chamber of Textiles Limited. Mr. TAN obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison.



Business Review
Properties

Rental

The revenue of the Group's property letting, agency and management operations amounted to HK\$650 million during the year under review, representing an increase of 8% year-on-year. Before taking any gain on completion into account, the EBIT of these operations increased by 5% to HK\$400 million year-

on-year. The five-year compound annual growth rate of revenue and EBIT of the Group's investment property between FY07 and FY11 were 14% and 18% respectively.

The occupancy rates of the Group's investment properties remained at high levels during the year under review. The average rental rates recorded increases.

Occupancy and Rental Rates of Investment Properties

	Average Occupancy Rate			Change in Average Rental Rate (YoY)
	FY10	FY11	YoY	
Hopewell Centre	87%	91%	+4%	+3%
KITEC Office	81%	83%	+2%	+3%
KITEC E-Max	93%	92%	-1%	+17%
Panda Place	91%	93%	+2%	+3%
QRE Plaza	88%	90%	+2%	+5%
GardenEast (apartments)	88%	96%	+8%	+12%

Hopewell Centre ▶

Hopewell Centre, the Group's 840,000-square-foot flagship property, had an average occupancy rate of 91% during the year under review. Its aggregate rental income increased by 7% year-on-year; and both its office and retail spaces achieved higher rents on renewals and new leases. The average spot rent of office for January to June 2011 were 20% higher than that of the same period of the previous year. Occupancy rate improved to 95% as of 30 June 2011.

The main factors responsible for the increased rental income were the continuous enhancements being made to Hopewell Centre's facilities and services, as well as its improved tenant mix. Ongoing improvements to features such as the car park, elevators and lobbies are being carried out in phases, in order to provide tenants and visitors with first-class office and retail environments. Recently, the



management's continuous commitment in providing outstanding services is further recognised by the Customer Relationship Excellence Award received by Hopewell Centre from the Asia Pacific Customer Service Consortium.



A new office show flat was opened in November 2010 to keep Hopewell Centre's existing and prospective office tenants updated about the most recent and forthcoming upgrade works and services. The show flat also highlights Hopewell Centre's latest office provisions - such as a raised floor system - which are being introduced to maintain its competitive edge in retaining existing tenants and attracting new upper-end clients.

"The East" brand concept has helped Hopewell Centre's retail section succeed in attracting more high-quality retailers and F&B operators. An entire floor has been leased to Fitness First, one of the world's largest fitness corporations, and a ground floor shop to Maybach Car Showroom. This has



further enhanced the tenant mix of "The East". As at 30 June 2011, Hopewell Centre's retail portion was fully let, and it provides a wide range of dining and shopping experiences for visitors.

QRE Plaza ▶

This 25-storey, 77,000-square-foot building boasts a wide range of dining options and unique lifestyle services. A key component of "The East", QRE Plaza is connected to Hopewell Centre and Wu Chung House via a footbridge. Its status is now well established as the one-stop "Quality lifestyle, Relaxation and Entertainment" hub that its name suggests.

The property achieved an average occupancy rate of 90% during the year under review. Marketing and promotional activities for "The East" have also attracted more traffic and patrons to the property.

Wu Chung House ▶

The Group owns several retail outlets with a total gross floor area (GFA) of 17,670 square feet at Wu Chung House. These form part of "The East" and they are fully let to a number of well-known retailers, thus providing the Group with rental income. The recent letting to Rolls-Royce and McLaren car showrooms has further enhanced the image of "The East".





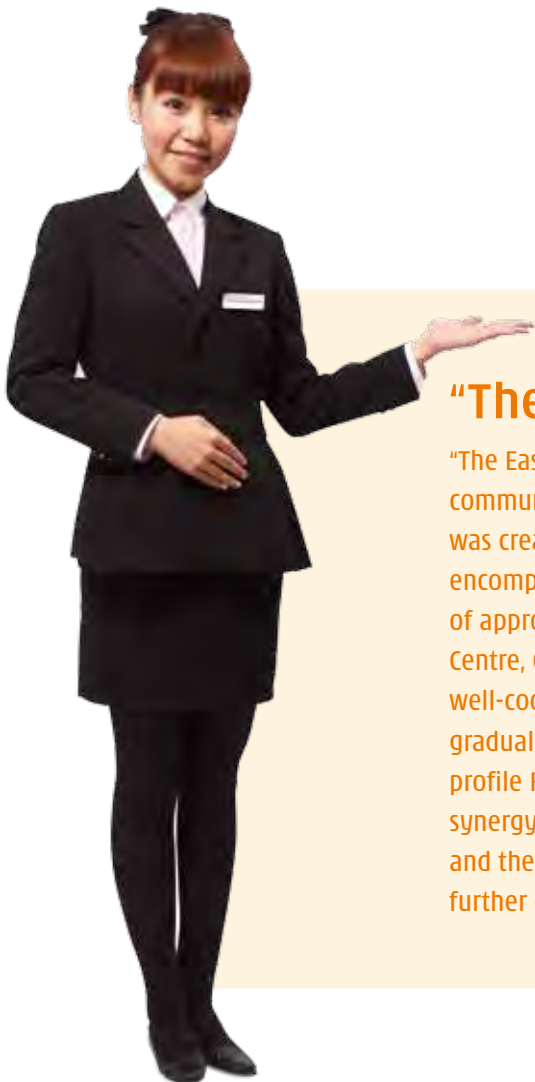
its podium level. Their convenient location in the heart of Wan Chai's commercial district and their outstanding reputation for quality service have enabled the GardenEast's serviced apartments to attract residents and repeat guests from around the world, especially banking, finance and investment professionals.

The overall rental income of GardenEast rose by 21% year-on-year. The average occupancy rate of its serviced apartments remained high at 96%, and the average rental rate increased by 12% during the year under review. The occupancy rate was 97% as of 30 June 2011.

GardenEast ▶

Completed in September 2008, this 96,500-square-foot, 28-storey building houses 216 premium serviced apartments, plus three retail shops on

As of 30 June 2011, all GardenEast's retail premises were let to quality F&B operators. A Spanish tapas wine bar on the property's ground floor opened in September 2010 has further enhanced the tenant mix of "The East".



"The East"

"The East" is the brand name of a dining and entertainment community that occupies a prime location in Wan Chai. The concept was created and launched by the Group in December 2007, and it now encompasses a cluster of retail outlets with a total lettable floor area of approximately 273,000 square feet. These are situated at Hopewell Centre, QRE Plaza, Wu Chung House and GardenEast. As the result of well-coordinated marketing and promotional efforts, "The East" has gradually gained momentum, and it presently accommodates 23 high-profile F&B outlets, plus 36 lifestyle stores. The Group expects that the synergy created by the retail elements of the buildings concerned and the new developments currently underway in Wan Chai will further enhance its rental performance in the future.



KITEC ▶

(formerly known as HITEC)

A commercial and retail complex comprising office, convention and exhibition halls and a shopping mall known as E-Max, KITEC provides unrivalled convenience and opportunities for event organisers, entertainment and retail operators.

E-Max, a 900,000-square-foot shopping and entertainment destination in KITEC, has attracted a wide variety of tenants offering food and beverages, wine and wine-tasting, bridal services, home design



and furniture, a car showroom, bowling, tourists' department store, retail shops and entertainment. The Group is continuing to enrich the tenant mix in order to establish brand awareness about E-Max further and to promote it as an entertainment and destination spot in Kowloon Bay. Its average occupancy rate was 92% during the year under review, and its occupancy rate was 93% as of 30 June 2011.



Severe competition from the supply of new offices in East Kowloon is expected to continue. To maintain the leading edge of KITEC's 650,000-square-foot office portion and provide a quality environment, the Group is conducting a comprehensive renovation programme for upgrading its office facilities, encompasses a complete facelift, a new office lift lobby and modernisation of common areas and building facilities. The average spot rent of office space at KITEC for January to June 2011 was 16% higher than that of the same period of the previous year. A new anchor tenant committed to lease approximately 60,000 square feet in three phases, starting from 1 April 2011. As of 30 June 2011, KITEC's offices had an occupancy rate of 91%.



For the year ended 30 June 2011, KITEC's overall average occupancy rate of its retail and office space was approximately 89%. The occupancy rate (including retail and office space) improved to 92% as of 30 June 2011.

New marketing strategies that aim to attract more local events and additional traffic to KITEC's Meetings, Incentives, Conventions and Exhibitions (MICE) facilities proved successful during the year. A number of concerts of various sizes and musical performances were held in Star Hall, a 30,000-square-foot multi-purpose venue. KITEC also offers a comprehensive range of convention and exhibition venues for large-scale trade shows, conferences, entertainment and sports events and banquets. As public awareness of KITEC and Star Hall grows, the Group expects demand for large-scale shows and events and banquets will remain strong.

Panda Place ▶

Panda Place is a 229,000-square-foot shopping mall in a convenient location in Tsuen Wan. It offers a wide selection of F&B, lifestyle and entertainment choices. Local families and hotel guests have given its tenants and restaurants an overwhelming response. It provides retailers with excellent business opportunities. As the result of continuous marketing efforts and promotional events, and despite intense competition between the district's shopping malls, Panda Place's occupancy rate reached 92% as at 30 June 2011. Its average occupancy rate was 93% for the year under review, while its total rental income was 7% higher year-on-year. To enrich the tenant trade mix, the Group has succeeded in attracting a Japanese department store, which has committed to become an anchor tenant and to lease approximately 120,000 square feet in basement levels 2 and 3. Upgrading works are now underway at Panda Place, and a reshuffle of the tenant mix is being considered in order to increase its customer flow and rental income in the future.



Sale



Broadwood Twelve ▶

Project Description

Location	12 Broadwood Road, Happy Valley, Hong Kong
Total GFA	113,900 square feet
Nature of project	Residential
Number of units	76 (including two penthouses)
Facilities	Fully equipped clubhouse, spacious landscaped gardens and car parks
Investment cost	Around HK\$700 million
Status	Construction completed, sales in progress

The Group has been the driving force behind a series of luxury property developments on Broadwood Road, Happy Valley, which was a little-known narrow trail during the 1970s. Recognising its potential, the Group widened it into a standard two-way road, and afterwards developed a number of renowned luxury hillside residential projects along it.

Broadwood Twelve is the Group's latest residential development in Hong Kong. With top-quality finishes and stunning views over the racecourse and Victoria Harbour, the units of Broadwood Twelve are positioned as attractive luxury residences. Broadwood Twelve was originally intended to be held for rental, targeting the premium residential market. However, having considered the property market conditions, particularly the surge in demand for and the selling prices of luxurious residential units as well as the trend of the rental yield, the Company has decided to sell Broadwood Twelve on 24 May 2010.

Sales commenced on 10 June 2010, and as of 30 June 2011, 41 units or 54% of Broadwood Twelve's 76 units had been sold, generating total sales proceeds of around HK\$1,738 million (including proceeds from the sale of car-parking spaces). Of these, 36 units were booked during the year under review. As of 22 August 2011, a further of 4 units have been sold subsequent to the year end, generating additional sales proceeds of around HK\$187 million (including proceeds from the sale of car-parking spaces). Most of the buyers were end-users, and the average price of the units sold was around HK\$25,200 per square foot (based on gross floor area as stated in the marketing brochure). This was broadly in line with the Group's expectations. Despite the market's concern about government measures to curb overheating, the luxury residential market is well supported by limited supply, especially in traditional luxury districts, as well as Hong Kong's solid economic fundamentals and interest among end-users and mainland buyers.

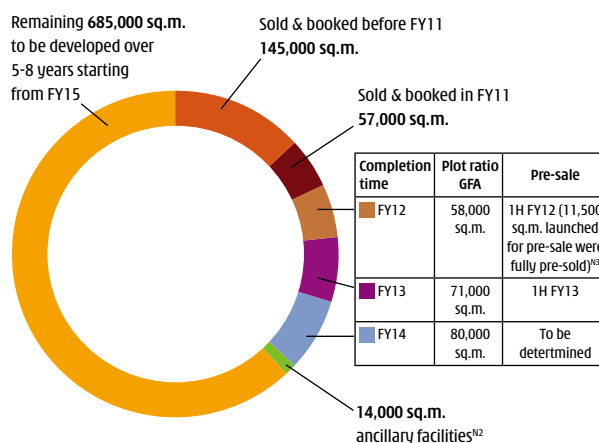
Broadwood Twelve's high-end residential units have also attracted leasing offers from large and renowned corporations, as well as individual professionals. With a view to maximising the Group's income, 10 unsold units were being leased at an average monthly rental rate of about HK\$51 per square foot as of 22 August 2011. These leased units will still be available for sale.



commercial areas and recreational facilities. The project is strategically located approximately 3 kilometres from Baiyun International Airport in Guangzhou, and close to the highway connecting the airport with the city centre. Approximately 202,000 square metres of the development (consisting of 104 townhouses and 1,360 apartments) had been sold and booked up to 30 June 2011. Of these, 57,000 square metres (4 townhouses and 574 apartments) were sold and booked during the year under review. Average selling price for apartments was around RMB6,200 per square metre for FY11, whilst it reached around RMB7,000 per square metre in the second quarter of 2011.

Plot ratio GFA breakdown

Approx. plot ratio GFA: 1.11M sq.m.^{N1}



N1: Excluding 0.45 million sq.m. basement car parks

N2: Including shops 6,000 sq.m. & car park

N3: As of 22 August 2011

Hopewell New Town ▶

Project Description

Location	Huadu, Guangzhou, the PRC
Total site area	Around 610,200 square metres
Total plot ratio GFA	Around 1.11 million square metres
Basement car park GFA	Around 0.45 million square metres
Nature of development	A multi-phase composite development consisting of apartments, townhouses, commercial areas and recreational facilities
Status	Partly developed and partly under construction

Hopewell New Town is a multi-phase composite development consisting of apartments, townhouses,



According to the Group's plan, 209,000 square metres will be completed between FY12 to FY14, of which 80 townhouses and 448 apartments will be completed during FY12; 38 townhouses and 336 apartments in FY13; and 17 townhouses and 840 apartments in FY14. For units with planned completion in FY12, the pre-sale schedule is to offer 448 apartments and 80 townhouses with a total plot ratio GFA of 58,000 square metres during the first half of FY12. Pre-sale of townhouses started in July 2011 and received encouraging market responses.

The 40 townhouses of 11,500 square metres launched for pre-sale have been fully pre-sold, with an average selling price of around RMB20,000 per square metre.

Proceeds from the sale of units of the project are expected to be sufficient to fund the development of the project's remaining phases. Commercial strip development with a permissible GFA of 150,000 square metre is currently planned to start in about 2 to 3 years, depending on market conditions.

Development Plan

Planned Completion ^{N1}	Plot Ratio GFA (sq.m.)			Total
	Apartments	Townhouses	Commercial & Others ^{N2}	
Sold & booked in FY11 & before	173,000	29,000	-	202,000
Stock as of 30.6.2011	2,400	300	11,300	14,000
FY12	35,000	23,000	-	58,000
FY13	54,000	11,000	6,000	71,000
FY14	70,000	5,000	5,000	80,000
FY15 & Beyond	456,000	47,000	182,000	685,000
Total	790,400	115,300	204,300	1,110,000

N1: Present planning, subject to change

N2: Stock as of 30.6.2011: Including shops 6,000 sq.m. & car parks;

FY13-15 & beyond: Represents commercial (including approximately 150,000 sq.m. commercial strip) & ancillary facilities (which include car parks & club house, etc) planned to be developed in phases



Hospitality

Panda Hotel ▶

The improving global economy and travel sentiment fuelled an impressive growth in Hong Kong's tourism arrivals in 2010. Business and leisure travel saw a buoyant recovery, resulting in a healthy increase in Panda Hotel's occupancy and average room rates. Its turnover amounted to HK\$266 million, an increase of 30% from HK\$205 million of the previous financial year.



The hotel's average room occupancy rose by 5 percentage points to 89%, whereas the average room rate was up 33% year-on-year. Room revenue amounted to HK\$186 million, a year-on-year increase of 41%.

Mainland China remained the hotel's principal market; and the growth in business from emerging markets of Southeast Asia mitigated a decline in the Japanese market after the major catastrophe there in March 2011.



The hotel's restaurant and banquet businesses saw a healthy year-on-year growth of 12%. Their combined revenue rose to HK\$78 million as the result of increased utilisation of the renovated banqueting venue.

While the hotel's revenue has recovered from the 2009 economic crisis and surpassed pre-crisis levels, inflationary pressures have continued to affect its operating and other costs, especially labour and food costs. In view of this trend, maintaining tight control over expenses and costs while continuing to strengthen its stable workforce and nurture its staff, will remain the major focus for Panda Hotel's management in the coming year.

To maintain its competitiveness, the hotel will continue its ongoing guestroom renovation and facility upgrading programmes. It will also explore potential new leisure markets and MICE business. On the F&B side, the hotel will adopt flexible pricing strategies via different promotional campaigns, with the aim of achieving a higher utilisation rate.



Restaurant & Catering Services ▶

Restaurant Operation

R66 Revolving Restaurant

As part of its commitment to providing excellent products and services to guests, the restaurant was closed for renovation from 1 December 2010. Its revenue from the five months preceding the closure increased by 4% in year-on-year terms.

Following a complete face-lift, the restaurant is expected to reopen in FY12. It will target a more up-market clientele and, as Hong Kong's only revolving restaurant, it will remain a popular venue among overseas visitors and local patrons.

The Queen's Palace Restaurant

The exceptional quality of its food and services has earned the Queen's Palace Restaurant a Bib Gourmand listing in the Michelin Guide Hong Kong Macau for two consecutive years.

However, its business has been affected by the keen competition that exists among restaurants in the area, and its revenue declined by 6% during the year under review. Despite the sluggish growth in its business, Queen's Palace Restaurant remains one of the most popular culinary attractions in "The East".

To expand its customer base and achieve more revenue, the restaurant will focus its promotional and marketing efforts on improving awareness of its brand in the coming year.

KITEC F&B

KITEC F&B's results grew satisfactorily during the past financial year, with the revenue from its restaurants and catering services rising by 18% year-on-year to HK\$92.4 million. The corporate dinner business thrived during the year, due to the flexible pricing strategy and special tailor-made banqueting packages offered as well as KITEC's ability to cater for large functions and events.

KITEC F&B aims to improve its service standards further, raise the profiles of its restaurants and catering services, and upgrade its speciality dinner menus to remain competitive in terms of both price and quality. However, balancing revenues with costs will remain a challenge.

Bayern Gourmet Food

Bayern Gourmet Food offers a wide array of European gourmet products with a German flavour. Its revenue grew by a healthy 10% to HK\$106 million year-on-year, mainly due to the reliable quality of its products, its strong brand, and successful joint promotions with business associates.

In line with its strategy of focusing on its core businesses, the Group has disposed of its 90% interest in Bayern Gourmet Food in July 2011. The gain on this disposal will be recognised in next year's accounts.

Development

Hopewell Centre II ▶

Project Description

Location	Wan Chai, Hong Kong
Total GFA	Around 101,600 square metres
Nature of Development	Primarily a conference hotel with approximately 1,024 guest rooms
No. of Storeys	55
Planned investment	Around HK\$5 billion, including HK\$400 million for a road improvement scheme and parks
Status	Planning stage

The development plan for Hopewell Centre II was revised in November 2008; a revised Master Layout Plan was deposited at the Land Registry in August 2009; and the latest general building plan was approved in July 2010.

At the end of the year under review, preparations were in progress to ensure compliance with the approval conditions and the establishment of two preparatory committees for Hopewell Centre II Green Park and the Conservation and Revitalization of Nam Koo Terrace. Under the current plan, construction of Hopewell Centre II is targeted to begin before the end of 2011 and to be completed in 2016.



A road improvement scheme, a green park open to the public, and an extensive tree-planting plan will be incorporated into the project. The road improvement scheme will help to solve the area's traffic problems and enhance the safety of pedestrians, while the green park will provide a venue for public recreation and enjoyment.

As part of the Wan Chai Pedestrian Walkway proposed by the Company, the project will provide a convenient pedestrian connection between the Kennedy Road residential area in Mid-Levels and Wan Chai MTR, via Hopewell Centre and the Lee Tung Street Project. This will help to integrate Wan Chai District and make "The East" premises more easily accessible. Together with the completion of Hopewell Centre II, the project will synergise with the Company's property portfolio and enhance its recurrent income base.

Lee Tung Street Project ▶

Project Description

Location	Wan Chai, Hong Kong
Project Nature	URA Project
JV partner	Sino Land Company Limited
Nature of Development	Residential, Commercial and Government, Institution or Community
Planned investment	Around HK\$9 billion (HHL's share: HK\$4.5 billion)
Total site area	Around 88,500 square feet
Total GFA	Around 835,000 square feet
Residential GFA	Around 731,000 square feet (around 1,300 residential units)
Retail GFA	Around 86,000 square feet
Area to be handed over to URA after restoration of historical buildings	Around 18,000 square feet
Revenue sharing with URA	<ul style="list-style-type: none"> Residential sales proceeds exceeding HK\$6.2 billion will be shared equally between the URA and the joint venture Net rental income and sales proceeds from commercial portion will be shared by the URA and joint venture at a ratio of 40:60, respectively

The Lee Tung Street Project is a URA redevelopment project with residential, commercial and government, institution or community elements. The Company and Sino Land Company Limited (Sino) formed a 50:50 JV and won the tender in June 2009. The JV creates synergy for the project by combining the Company's long-term presence and experience in Wan Chai with Sino's strong track record in residential development and its experience of URA projects.

The Lee Tung Street/McGregor Street area is widely known as an iconic landmark, and it is full of historical significance. The project will highlight its unique and distinctive characteristics by incorporating redevelopment, heritage conservation, revitalisation, and green elements. A cluster of three historic buildings on Queen's Road East that forms part of the project will be revitalised as well. The project will also promote the continuous growth of Wan Chai District for the benefit of the community

and future generations, which is in line with the Group's sustainability strategy.

Besides revitalising the district, the project will provide a convenient pedestrian link between the Kennedy Road residential neighbourhood in Mid-Levels and the Wan Chai North commercial area. As the hub of this connection, the development's



complex will form a direct and unique connection between Wan Chai MTR Station and "The East". This sophisticated network of pedestrian walkways will together form the proposed Wan Chai Pedestrian Walkway, which will unite and integrate various parts of Wan Chai District.

Under the present plan, the JV intends to increase the investment to around HK\$9 billion in the project, by providing more premium quality and environmental friendly features for the upmarket. On 8 July 2011, the JV signed bank loan facilities for an aggregate principal amount of up to HK\$5,000 million. This should be more than adequate to fund the project. As of 30 June 2011, the Group had injected approximately HK\$1.8 billion into this project.

Foundation work on the Lee Tung Street project is currently underway. Its residential portion is planned to become available for pre-sale in 2013, whereas its commercial portion is planned to be developed into a themed shopping mall. Upon completion of the project scheduled in 2015, it will further enlarge the Group's rental property portfolio, and it is expected to create synergy between the Group's existing properties in Wan Chai, which include Hopewell Centre, QRE Plaza and GardenEast, as well as the future Hopewell Centre II.

Liede Integrated Commercial (Operating Lease) Project ▶



Project Description

Location	Zhujiangxincheng, Guangzhou CBD, PRC
Total GFA	Around 230,000 square metres (including basement car parks)
Nature of Development	A high-quality commercial complex
Planned investment	Not less than RMB1 billion
Landlord	Guangzhou Liede Economic Company Limited
Tenant	A subsidiary wholly owned by the Company
Investment structure	Operating lease of the buildings with landlord
Status	Planning and design stage

Pursuant to an agreement entered into by a subsidiary of the Company and the development's landlord, Guangzhou Liede Economic Company Limited, the Company's subsidiary will be responsible for fitting out and equipping this development. Once construction work has been completed, the premises will be leased to the Company's subsidiary under an operating lease. It will begin paying rent to the landlord when the complex's business operations commence.

The project is now at the design stage. Construction is scheduled to start in the second half of 2011 and it is due to be completed in 2015.



Business Review

Infrastructure



Hopewell Highway Infrastructure Limited ("HHI")

Business Performance ▶

Guangdong Province's economy remained robust during the year under review. Its import and export trades grew strongly and the total trade amount has reached historical high levels. Between January and June 2011, its GDP increased by 10.2%, while its import and export trades grew by 26%. These factors have boosted the demand for passenger and freight transportation in the region, thus benefiting the HHI Group's projects there.

The car ownership in Guangdong Province maintained its growth momentum, driven mainly by sales of small cars. According to the latest statistics, the province's car ownership figure exceeded 7.8 million by the end of 2010, a year-on-year increase of 19%. Although the national car sales volume slowed during the first half of 2011, the number of newly registered passenger vehicles in Guangdong, according to the media, rose by about 440,000 vehicles or 7.3% during the first half of

2011, compared to a 3.4% growth to approximately 9.3 million vehicles in national car sales. In terms of car ownership, Guangdong Province's top three cities were Guangzhou, Shenzhen and Dongguan. By mid-2011, the number of cars owned in each of Guangzhou and Shenzhen has exceeded 1.7 million vehicles, while the figure for Dongguan has risen to 1 million vehicles. Passenger vehicles accounted for most of this increase. As far as the HHI Group's expressways were concerned, Class 1 small cars made the most significant contribution to the overall rise in their traffic volume. Guangdong's robust economy and the growth in car ownership will continue to invigorate the HHI Group's operating performance.

During the year under review, the aggregate average daily traffic volume on the GS Superhighway and Phase I West increased by 12% to 429,000 vehicles year-on-year, while their aggregate average daily toll revenue increased by 6% to RMB10.58 million. Taking into account the opening of Phase II West in June 2010, the aggregate average daily traffic volume increased by 23% to 473,000 vehicles, whereas their aggregate average daily toll revenue increased by 13% to RMB11.33 million. The combined toll revenue from GS Superhighway, Phase I West and Phase II West amounted to RMB4,136 million during FY11.

Expansion and Improvement Works ▶

The HHI Group aims to develop efficient and safe expressway networks that deliver high-quality services. It has proactively monitored the traffic flow on its expressways and expanded busier sections after obtaining approvals from relevant authorities. During the past financial year, a number of expansion and improvement projects had been completed, which helped raise the operational efficiency and the standard of service quality.

To relieve the traffic pressure on the busier 3.5-kilometre road section between the Wudianmei and Taiping interchanges, the GS Superhighway JV undertook a project to widen it from 6 lanes to 10 lanes in dual directions. This began in July 2010 and was completed in June 2011. The flow of traffic along this section during peak hours has become much smoother since it was widened. Moreover the number of accidents along the section has dropped significantly, and the travelling speed has significantly increased. In addition, the new Xinlian interchange to the north of Taiping interchange, which connects with Hugang Expressway was fully opened in April 2011. It has helped to ease the traffic pressure at the road section between Taiping interchange and the Hugang Expressway, along which traffic needed to pass between the Taiping and Wudianmei interchanges in the past.

The approximately 2-kilometre section between the Hezhou and Fuyong interchanges had been widened from 6 to 8 lanes in dual directions in 2003. The GS Superhighway JV will begin widening this section from 8 to 10 lanes in dual directions in the coming months. This will help to maintain the smooth flow of traffic along the GS Superhighway to meet the increasing freight and passenger traffic arising from the Shenzhen Baoan International Airport, which is adjacent to the Fuyong interchange.

Meanwhile, GS Superhighway JV completed the expansion of the toll plazas at Huocun and Fuyong interchanges, whereas the expansion of the Nantou toll plaza is in progress. The GS Superhighway JV has also opened numerous additional electronic toll collection (ETC) lanes and automatic card-issuing lanes at various interchanges in order to cope with increased traffic and raise operational efficiency.



Project Development ▶

Phase II West went into operation in June 2010. Together with Phase I West, it forms a major expressway directly linking Guangzhou and downtown Zhongshan, and it has substantially reduced the travelling time between these two cities from more than one hour via local roads to approximately 30 minutes. In the past year, it has proved convenient for people travelling in the area around Guangzhou, Foshan, Shunde and Zhongshan. Thus, it has helped to foster the region's economic development. Since it opened in June 2010, the traffic volume on Phase II West has been increasing continuously. Most road users have got used to the new road after several months of its opening, and toll revenue of Phase II West during the second half of FY11 reached the HHI Group's target of achieving

cash-flow breakeven in the first year of operation, i.e. RMB800,000 in average daily toll revenue. That means the total toll revenue in the second half of FY11 was sufficient to cover the project's expenses, including finance costs, and a net cash inflow was recorded during the same period. The HHI Group believes the traffic volume and toll revenue of Phase II West will grow more strongly, in tandem with the region's economic growth and the development of a more comprehensive peripheral road network.

Construction of Phase III West has been advancing smoothly. Land requisition works were substantially completed during the year under review. Depending on the progress of construction, it is planned that Phase III West will be completed by the first half of 2013, earlier than the original schedule. Its opening will considerably reduce the travelling time between Guangzhou and Zhuhai, from approximately two hours at present to about one hour. The HHI Group will endeavour to expedite the completion of Phase III West, the last phase of the Western Delta Route, in order to develop a more comprehensive expressway network in the region.



To improve the expressway's peripheral environment, the West Route JV will landscape its interchanges in Shunde in partnership with the local governments.

Operating Environment ►

In the face of a constantly changing operating environment, the HHI Group is maintaining the competitive advantages of its expressways by implementing effective cost controls, increasing their operational efficiency and enhancing service standards. The measures currently put in place include increasing staff productivity, enhancing energy savings and controlling the rise in administrative expenses.

According to the media, the Guangdong Provincial Government and Hong Kong Government have been conducting studies about the feasibility of gradually increasing the number of cross-border vehicle quotas. At the 14th Plenary of the Hong Kong/ Guangdong Cooperation Joint Conference held on 23 August 2011, both governments decided to launch

the first phase of the trial scheme to introduce ad hoc quotas for cross-boundary private cars in March 2012. Owners of Hong Kong private vehicles with 5 seats or less may apply for ad hoc quotas under the scheme to drive their private cars into Guangdong Province. The relevant arrangements and implementation details will be announced before the end of 2011. The HHI Group expects the policy will facilitate cross-border traffic, and that it will benefit GS Superhighway. In addition, the Huanggang border was expanded and the newly opened emigration area went into operation in July 2011. This will help to speed up cross-border procedures, thus providing convenient and smooth cross-border services to travellers.

To promote the healthy development of the toll road industry, the Ministry of Transport, National Development and Reform Commission (NDRC), Ministry of Finance, Ministry of Supervision and State Council Office for the Correcting Malpractice decided in June 2011 to launch a joint one-year

national campaign against toll roads that fail to observe relevant regulations or which charge unreasonable tolls. Any details regarding the campaign's implementation in Guangdong Province would be further announced by the Guangdong Provincial Government.

Latest media reports indicate the 59-kilometre Guangzhou and Dongguan sections of the Coastal Expressway are scheduled for completion in the second half of 2011, while the 30-kilometre Shenzhen section will be completed by 2012. Nevertheless, till August 2011, its Guangzhou and Dongguan sections had not yet opened. The Coastal Expressway is designed to connect ports along the eastern shore of the PRD, and it will mainly serve trucks destined for them. The HHI Group will continue to monitor the Coastal Expressway's progress closely. The HHI Group believes GS Superhighway will maintain its leading position as Guangdong Province's main artery, in line with the continuous growth of car ownership in the province.



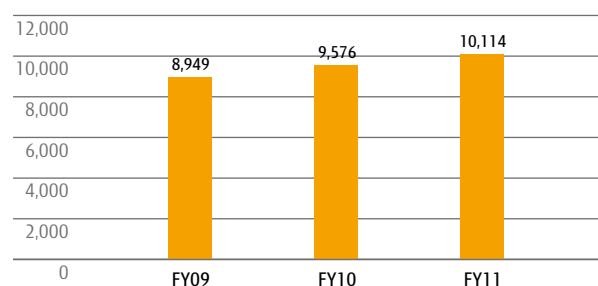
Project Summary

GUANGZHOU-SHENZHEN SUPERHIGHWAY

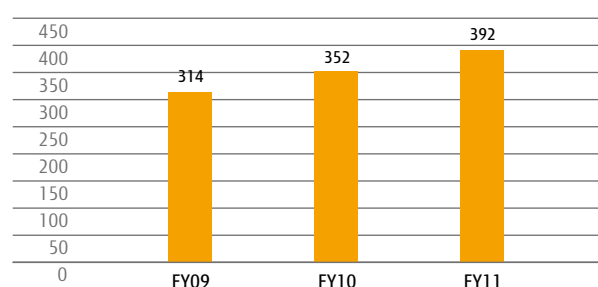
Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lanes	A total of 6 lanes in dual directions, except for certain sections being 8 to 10 lanes
Class	Expressway
Toll Collection Period	July 1997 - June 2027
Profit Sharing Ratio	Year 1-10: 50%; Year 11-20: 48%; Year 21-30: 45%



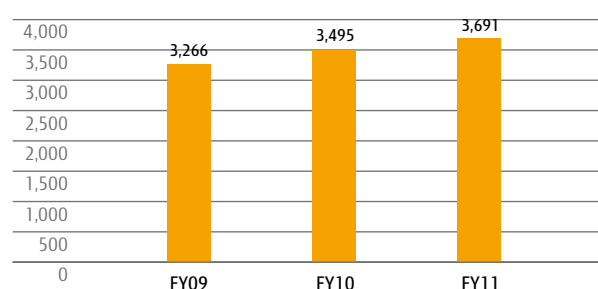
GS Superhighway
Average Daily Toll Revenue
(RMB thousand)



GS Superhighway
Average Daily Traffic
(No. of vehicles in thousand)



GS Superhighway
Annual Toll Revenue
(RMB million)



GS Superhighway is the main expressway that connects the three major cities - Guangzhou, Dongguan and Shenzhen in the PRD region and Hong Kong. During the year under review, its average daily toll revenue rose by 6% year-on-year to RMB10.11 million, while the total toll revenue amounted to RMB3,691 million. Meanwhile, its average daily traffic volume increased by 11% to 392,000 vehicles.

Benefiting from the growth in car ownership in the PRC, the traffic volume and toll revenue GS Superhighway derived from Class 1 small cars both increased steadily during the period under review. They accounted for 74.6% of its total traffic volume and 49.8% of its total toll revenue. Due to the higher proportion of Class 1 small cars, the average toll revenue per vehicle per kilometre dropped 2% from RMB0.93 to RMB0.91. Meanwhile, the traffic volume and toll revenue it derived from Class 4 and Class 5 commercial trucks continued to rebound from the trough in FY09 to overtake the FY08 level, approaching the historical high level in FY07.



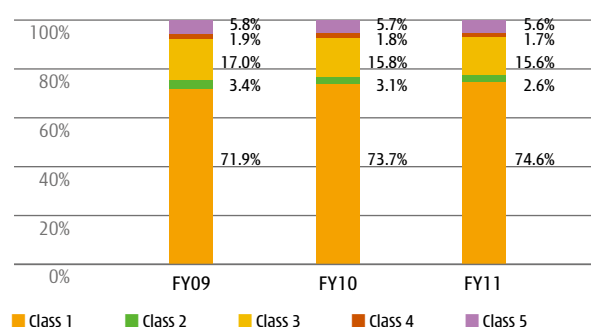
Shenzhen and Dongguan city closed all the toll stations on National Highway 107 in April 2011. The Jiangnan and Songan toll stations on National Highway 107, which are adjacent to GS Superhighway were removed, making the entire National Highway 107 toll-free. As a result, some vehicles (mainly Class 4 and Class 5 commercial trucks) that previously used GS Superhighway have now been diverted to National Highway 107.

On the other hand, the second runway of Shenzhen Baoan International Airport became operational on 26 July 2011. This has greatly increased the airport's flight-handling capacity, and traffic on GS Superhighway is set to surge as its passenger and freight turnovers grow in the future.

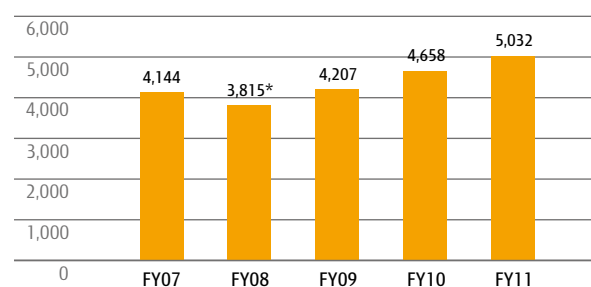
Expansion of the 3.5-kilometre busier section between Wudianmei and Taiping interchanges from 6 lanes to 10 lanes in dual directions was completed in June 2011. Its expansion has effectively relieved the traffic pressure on that section during peak hours. In addition, the number of traffic accidents has declined and the travelling speed along the section has greatly increased.

Following the widening of the road section between Wudianmei and Taiping interchanges, the GS Superhighway JV will begin widening the approximately 2-kilometre section between the Hezhou and Fuyong interchanges from 8 to 10 lanes

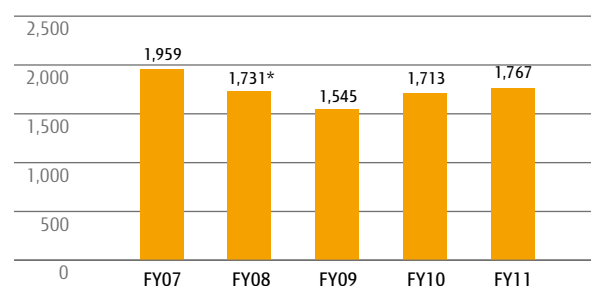
**GS Superhighway
Traffic Breakdown by Class**



**Class 1 - Average Daily
Toll Revenue (FY07-FY11)
(RMB thousand)**



**Class 4 & 5 - Average Daily
Toll Revenue (FY07-FY11)
(RMB thousand)**



* A section of GS Superhighway was closed for maintenance in phases between October 2007 and July 2008

in dual directions in the coming months. This will help to maintain the smooth flow of traffic along the GS Superhighway to meet the increasing freight and passenger traffic arising from the Shenzhen Baoan International Airport, which is adjacent to the Fuyong interchange. Meanwhile, a study about the feasibility of widening the entire GS Superhighway to a total of 10 lanes in dual directions is being fine-tuned. When it is finalised, the GS Superhighway JV will submit an application for the project's approval by the relevant authorities.

The GS Superhighway JV has expanded the toll plazas at Fuyong and Huocun in order to provide quality services for road users by enhancing the traffic capacity and standards of toll-lane management at those plazas. Meanwhile, the expansion of the Nantou toll plaza is in progress.

To support the construction of the Hugang Expressway extension link, two refilling stations along the Taiping section of the GS Superhighway were demolished in 2010. A new high-standard service area with refilling stations, catering facilities and rest areas was built and opened in March

2011 on the Houjie section (southbound). The GS Superhighway JV will endeavour to expedite the construction and opening of another new service area on the Huojie section (northbound) to cater for highway users' needs.

In response to rising operating costs in the region, the GS Superhighway JV is continuously taking effective measures to contain cost increases and enhance productivity. It currently has 39 sets of ETC lanes and 14 sets of automatic card-issuing lanes. The average time vehicles spent waiting to be processed at expressway's exits and entrances has been significantly reduced. The ETC and automatic card-issuing lanes have also enhanced operational efficiency and service quality, and they help to keep the number of toll-collection staff required to cope with the increasing traffic volume at a reasonable level. The JV plans to install more ETC lanes and automatic card-issuing lanes to keep pace with growing traffic figures and to comply with the Guangdong Provincial Government's policy of encouraging the extensive use of Guangdong Unitoll Cards on expressways.



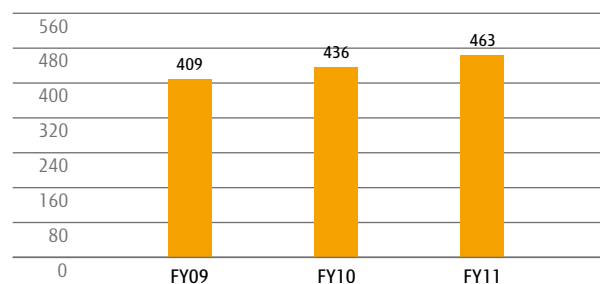
Project Summary

PHASE I OF THE WESTERN DELTA ROUTE

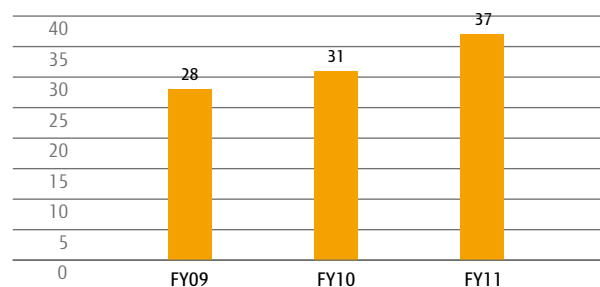
Location	Guangzhou to Shunde, Guangdong, PRC
Length	14.7 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	September 2003 - September 2033
Profit Sharing Ratio	50%



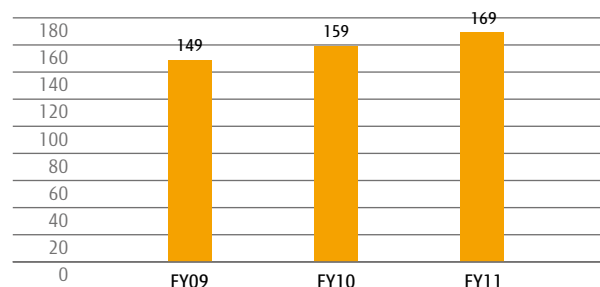
Phase I West
Average Daily Toll Revenue
(RMB thousand)



Phase I West
Average Daily Traffic
(No. of vehicles in thousand)



Phase I West
Annual Toll Revenue
(RMB million)



Phase I West is 14.7 kilometres long with a total of 6 lanes in dual directions. It connects with the Guangzhou East-South-West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. During the year under review, Phase I West's average daily traffic volume increased by 18% year-on-year to 37,000 vehicles, while its average daily toll revenue rose by 6% to RMB463,000. Its total toll revenue for the entire financial year amounted to RMB169 million.

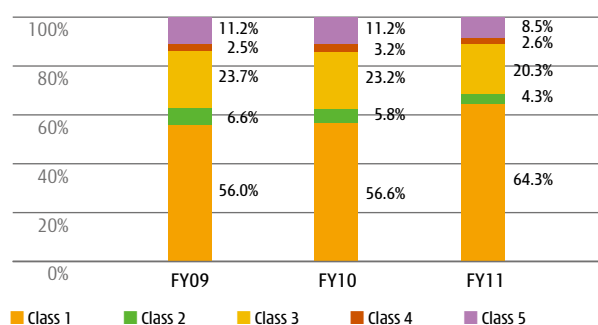
Since the opening of Phase II West in June 2010, Phase I West and Phase II West have formed the main expressway between Guangzhou and downtown Zhongshan, thus reducing the travelling time between the two cities from an hour via local roads to approximately 30 minutes. The synergy between Phase I West and Phase II West has led to exceptionally rapid growth in both the traffic volume and toll revenue of Class 1 small cars. These accounted for 64.3% of its total traffic volume in FY11, compared to 56.6% the previous year. The higher percentage of Class 1 small cars on Phase I West meant its average toll revenue per vehicle per kilometre declined by 8% from RMB0.94 to RMB0.86.



Guangzhou South Railway Station - Asia's largest high-speed railway station, which is close to Phase I West - opened in January 2010. The opening of a peripheral connecting road network between the new station and Phase I West in October 2010 means the journey between them via Shizhou interchange takes only a few minutes. This has helped to encourage more passenger vehicles to take Phase I West.

Furthermore, the Foshan First Ring Road extension link is connected to the Bijiang interchange of Phase I West in November 2010. Together with Foshan's strong economic growth, the traffic volume and toll revenue of Phase I West and Phase II West are set to increase further.

**Phase I West
Traffic Breakdown by Class**



Maintenance works have been in progress at Yajisha Bridge on the Guangzhou East-South-West Ring Road from January 2010 to January 2012. As a result, heavy trucks weighing over 15 tons are prohibited from using the Yajisha Bridge section of the expressway. Moreover, the Yajisha Bridge has been completely closed at night since June 2011, to prevent any vehicles from crossing the bridge. These measures have affected the traffic volume and toll revenue on Phase I West. Enforcement of the traffic restriction has intensified since mid-July 2011. As a result, the average daily toll revenue of Phase I West fell to RMB427,000 during 17-31 July 2011 compared to RMB446,000 during 1-16 July 2011.

Dongxin Expressway was opened at the end of December 2010. Although it runs parallel to Phase I West, this expressway connects regions of Guangzhou, Panyu and Nansha, while Phase I West and Phase II West connect regions of Guangzhou, Nanhai, Shunde and Zhongshan. The two expressways provide services for different regions. The impact of Dongxin Expressway on Phase I West has been insignificant since it opened in December 2010.

The expansion of Nanya and Bijiang interchanges' toll plazas to deal with the increased traffic volume on Phase I West were completed. In addition, 9 sets of ETC lanes and 2 sets of automatic card-issuing lanes were installed to enhance operational efficiency and service quality.

The final project cost of Phase I West is RMB1,507 million, which is less than the budgeted amount of RMB1,680 million.

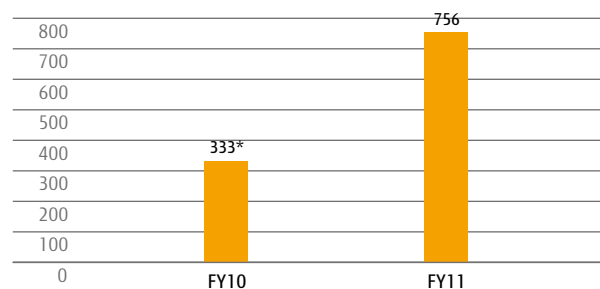
Project Summary

PHASE II OF THE WESTERN DELTA ROUTE

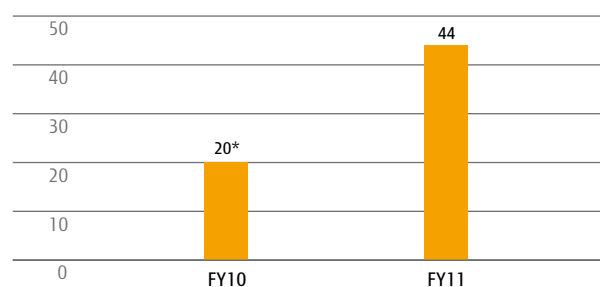
Location	Shunde to Zhongshan, Guangdong, PRC
Length	45.5 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	June 2010 - June 2035 (subject to the approval of the relevant PRC authorities)
Profit Sharing Ratio	50%



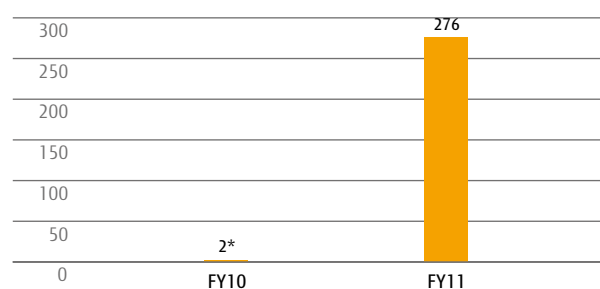
Phase II West
Average Daily Toll Revenue
(RMB thousand)



Phase II West
Average Daily Traffic
(No. of vehicles in thousand)



Phase II West
Annual Toll Revenue
(RMB million)

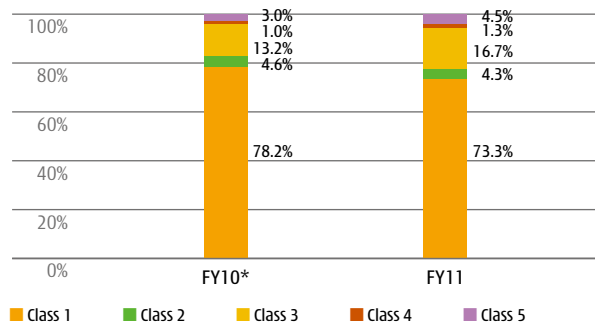


Phase II West was opened on 25 June 2010. A 45.5-kilometre closed expressway with a total of 6 lanes in dual directions, it is connected to Phase I West in Shunde to the north and Shaxi in Zhongshan to the south. It is also linked with National Highway 105, Guangzhou Southern Second Ring Road and Xiaolan Highway (currently under construction). Phase II West and Phase I West together form the major expressway linking Guangzhou and downtown Zhongshan and they have substantially reduced the travelling time between the two cities from more than one hour via local roads to approximately 30 minutes.

During the year under review, the average daily traffic volume on Phase II West was 44,000 vehicles, while the average daily toll revenue was RMB756,000. The total toll revenue for the entire financial year amounted to RMB276 million. Class 1 small cars were the main contributors which account for 73.3% of the total traffic volume.



**Phase II West
Traffic Breakdown By Class**



* Phase II West was opened on 25 June 2010.

The highway network connecting with Phase II West will be further enhanced in the near future. Guangzhou Southern Second Ring Road was opened in December 2010, providing a direct highway connection to Phase II West for vehicles between Gaoming, Shunde and Nanhai Districts of Foshan, as well as the Panyu District of Guangzhou. Its opening has had a positive impact on Phase II West's traffic growth. A connection to Xiaolan highway, which will be opened in 2012, will provide a faster link to downtown Zhongshan through the southern end of Phase II West. These developments will strengthen Phase II West's connectivity, thereby enhancing its competitive advantages.

Since its opening on 25 June 2010, the traffic volume of Phase II West has been increasing continuously. Its average daily traffic volume rose 89% from 29,000 vehicles in July 2010 to 55,000 vehicles in July 2011. The average daily toll revenue also increased by 85% from RMB500,000 in July 2010 to RMB925,000 in July 2011. Most road users have got used to the new road after several months of its opening, and its toll revenue during the second half of FY11 reached the HHI Group's target of achieving cash-flow breakeven in the first year of operation, i.e. RMB800,000 in average daily toll revenue. That means the total toll revenue of Phase II West in the second half of FY11 was sufficient to cover the project's expenses, including finance costs, and a net cash inflow was recorded. The HHI Group believes that Phase II West's traffic volume and toll revenue will grow even more rapidly in the future, along with the region's general economic growth and the development of a more comprehensive peripheral road network and nearby cities. The present rate of traffic growth leads the HHI Group to target that even without the synergy from opening of Phase III West, Phase II West will achieve profit during 2014, with average daily toll revenue exceeding RMB1.3 million (equal to annual toll revenue of RMB10.5 million per kilometre). During the year under review, Phase I West's annual toll revenue amounted to RMB11.49 million per kilometre. The HHI Group is also optimistic that Phase II West could achieve profit earlier, due to the synergy it will have with Phase III West when the latter opens in the first half of 2013.

The project cost of Phase II West is around RMB7,000 million, which is less than the budgeted amount of RMB7,200 million announced on 2 September 2008.

Project Summary

PHASE III OF THE WESTERN DELTA ROUTE

Location	Zhongshan to Zhuhai, Guangdong, PRC
Length	Approximately 38 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	Subject to the approval of the relevant PRC authorities
Profit Sharing Ratio	50%



Phase III West will be a closed expressway with a total of 6 lanes in dual directions. It will connect to Phase II West in Zhongshan to the north, and extend southwards to link with the Zhuhai highway network, thus offering direct access to Hengqin State-level Strategic New Zone in Zhuhai, Macau, as well as expressways connecting to the Hong Kong-Zhuhai-Macau Bridge. Construction work commenced in December 2009 and has been advancing smoothly. Land requisition works have virtually been completed. Subject to construction progress, Phase III West is currently scheduled for completion by the first half of 2013, earlier than originally planned. When it is opened, the journey time between Guangzhou and downtown Zhuhai will be greatly reduced from approximately two hours at present to around one hour.

The planned total investment for Phase III West is currently RMB5,600 million. In June 2010, the HHI Group obtained approval from the relevant PRC authorities to use RMB for its injection of registered capital into the project. The total amount of registered capital required is RMB980 million and the first tranche of capital was injected in



June 2010. As at 30 June 2011, the HHI Group had injected a total of RMB496 million of registered capital into Phase III West. Against the backdrop of credit-tightening measures in the PRC, the HHI Group also plans to provide shareholder's loans totalling RMB1,100 million to the West Route JV in respect of Phase III West. This will further broaden the financing sources of the JV company. As at 30 June 2011, a total of RMB500 million of shareholder's loans had been provided. The balance of RMB600 million will be provided when the relevant authorities' approval has been obtained. The HHI Group's exposure in the Western Delta Route will increase mildly from 18% to 26% of the total investment if one includes both the total amount of registered capital and the RMB1,100 million shareholder's loans planned to be injected. The HHI Group believes that given the economic growth of Guangdong Province, the continuous improvement of peripheral road networks and the opening of Phase III West, the strong fundamentals of the Western Delta Route will remain unchanged and it will provide the HHI Group with steady income in the long term.

On completion of Phase III West, the Western Delta Route will become the main artery of a regional expressway network along the PRD's western coast. This will link Guangzhou, Foshan, Zhongshan, Zhuhai, Hengqin and Macau. It will also be directly connected with various major expressways along this route, including the Guangzhou Ring Road, Guangzhou-Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan-Jiangmen Expressway and Western Coastal Expressway, as well as expressways linking Hengqin (currently under development) in Zhuhai and the Hong Kong-Zhuhai-Macau Bridge. Hengqin is the third State-level Strategic New Zone after Shanghai's Pudong District and Tianjin's Binhai area. The state will focus on planning and developing its business services, tourism, and other areas including research and development in science and advanced technology, thereby making it a new hub for high economic growth in the regional economy, and fostering the flourishing development of the western coast of the PRD and Macau. As a strategic expressway that comprehensively covers the most affluent cities on the western coast of the PRD and offers convenient access to Macau and Hong Kong, the Western Delta Route will benefit from the region's economic prosperity and its huge development potential.



Power

Project Description

HEYUAN POWER PLANT

Location	Heyuan City, Guangdong Province, PRC
Installed Capacity	A coal-fired power plant with two 600MW generating units
HHL's stake	35%
JV partner	Shenzhen Energy Group
Total investment (subject to finalisation)	About RMB5.2 billion
Status	Both units are operational



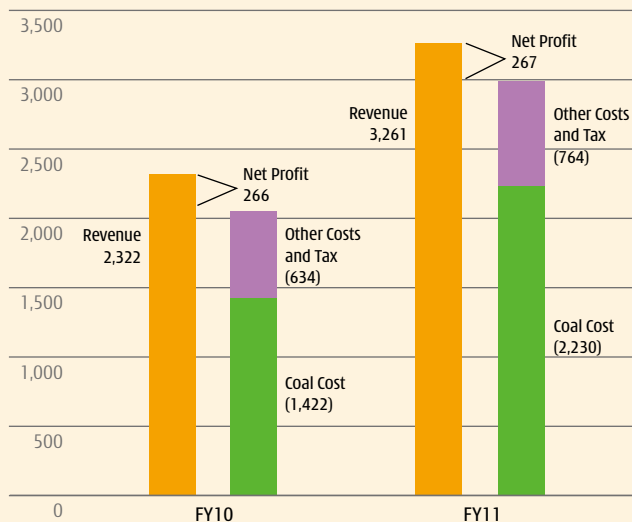
Key operating data	FY10	FY11
Gross Generation	5,800GWh	8,100GWh
Utilisation rate ^{N1}	59%	77%
Availability factor ^{N2}	78%	92%
Average on-grid tariff rate (excl. VAT) (RMB/MWh)	426.9	425.6
Approximate cost of coal (5500 Kcal/kg) (incl. transportation cost and excl. VAT) (RMB/ton)	640	710

$$N1: \text{Utilisation rate} = \frac{\text{Gross generation during the year under review}}{\text{Total number of hours during the year under review} \times \text{installed capacity}}$$

$$N2: \text{Availability factor} = \frac{\text{The number of available hours for electricity generation during the year under review}}{\text{Total number of hours during the year under review}}$$

Joint Venture Level 100%

RMB 'M



	FY10 RMB'M	FY11 RMB'M
Revenue	2,322	3,261
Coal cost	(1,422)	(2,230)
Other costs and tax	(634)	(764)
Net profit	(266)	267
HHL's share*		
- Revenue	929	1,304
- Net profit	106	107

* Representing both HHL's effective stake of 35% and a minority interest of 5% in the joint venture

Heyuan Power Plant consists of a coal-fired power plant with two 600MW generating units located in Heyuan City, Guangdong Province, PRC. Besides being one of the province's most efficient and environmentally friendly coal-fired power plants, it was also the first in China to be equipped with a flue gas desulphurisation wastewater treatment system.

During its teething stages, the JV has closely monitored the power plant and carried out check-ups on both its units. In the long term, the power plant targets to make the time available to generate electricity to be over 80%.

The plant's financial performance is sensitive to fluctuations in the price of coal and the on-grid electricity tariff. Its increased utilisation rate has resulted in its revenue at JV level increasing to RMB3,261 million during FY11, a 40% year-on-year increase. Nonetheless, its net profit at JV level in the year under review grew only slightly, by RMB1 million to RMB267 million. This was due to the fact that much of its extra revenue was offset by an increase in the price of coal. The plant's management will continue to endeavour to formulate and implement cost-control strategies and measures. In April 2011, the Group made use of internal resources and bank loan to lend a sum of RMB300 million to Heyuan Power Plant in the form of an interest bearing shareholder's loan in order to

broaden the project's financial resources and reduce finance costs.

To reduce the pressure on power producers, in June 2011, the National Development and Reform Commission (NDRC) raised the on-grid electricity tariff rate for coal-fired power plants. This increased Heyuan Power Plant's on-grid tariff by 0.4%, from RMB496.2/MWh to RMB498/MWh (including VAT) retrospectively from 1 January 2010.

The strong demand for electricity in Guangdong Province means that Heyuan Power Plant is expected to provide the Group with relatively stable profit contributions.

Wind Power ▶

As mentioned in previous reports, the Group is actively developing its own technology for large-scale vertical-axis wind turbines, in recognition of the ongoing and consistently strong global demand for clean renewable electricity. A small experimental turbine was built last year in Yangjiang, Guangdong Province and a new version has been refined and now built. The performance of the new version is being tested and data been collected in order to pave ways for the construction of a larger prototype in the future.



Financial Review

Group Results

Overview ▶

There were significant increases in the revenue and EBIT (before the gain on completion of investment properties) of the Group's three prime-earning businesses - (i) toll road investments; (ii) property letting, agency and management; and (iii) hotel

operations, restaurants and catering - during the year ended 30 June 2011.

Property sales at Broadwood Twelve in Happy Valley and Hopewell New Town in Huadu, PRC, also boosted the Group's revenue and EBIT to higher levels than were achieved in the previous financial year.

The Group's revenue by activities and their respective EBIT for the year ended 30 June 2011 were as follows:

HK\$ million	Revenue		EBIT*	
	2010	2011	2010	2011
Property letting, agency and management	603	650	382	400
Hotel operations, restaurants and catering	327	388	55	94
Property development	349	1,918	106	184
Toll road investments (after interest and tax of JCEs)	1,940	2,275	1,029	1,065
Power plant (after interest and tax of JCE)	1,055	1,530	118	123
Treasury income	13	106	13	106
Other	95	106	(157)	(117)
Revenue/EBIT (before gain on completion**)	4,382	6,973	1,546	1,855
Gain on completion of Broadwood Twelve	-	-	2,238	-
Revenue/EBIT (after gain on completion**) (Note)	4,382	6,973	3,784	1,855

* These figures represent the EBIT of the Company and its subsidiaries, plus their shares of net profits (after interest and tax) of JCEs

** Gain on completion refers to gain arising from changes in fair value of investment properties under construction up to the completion of development

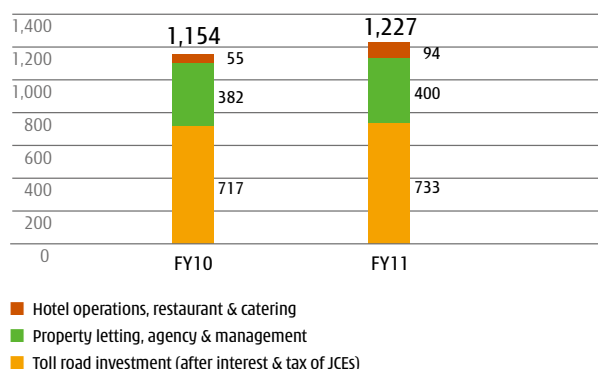
Note: Reconciliation of Revenue/EBIT with Consolidated Statement of Comprehensive Income

HK\$ million	Results	
	2010 (Restated)	2011
Earnings before interest and tax	3,784	1,855
Finance costs	(35)	(79)
Exceptional item	30	-
Changes in fair value of completed investment properties	1,549	4,395
Profit before Taxation	5,328	6,171
Taxation	(167)	(219)
Deferred taxation in respect of changes in fair value of Broadwood Twelve [#]	(20)	(33)
Profit for the year	5,141	5,919
Attributable to:		
Owners of the Company	4,827	5,576
Non-controlling interests	314	343
	5,141	5,919

[#] Represents deferred taxation in respect of changes in fair value of Broadwood Twelve arising after 24 May 2010, when the Group decided to sell the property instead of holding them for rental as originally planned

HK\$ million	Turnover	
	2010	2011
Revenue per Financial Review	4,382	6,973
Less:		
Sales proceeds of Broadwood Twelve units	-	(1,519)
Treasury income	(13)	(106)
Share of revenues of JCEs engaged in		
- Toll road investments	(1,940)	(2,275)
- Power plant	(1,055)	(1,530)
Turnover per Consolidated Statement of Comprehensive Income	1,374	1,543

Operating Profit* from Prime-Earning Business (HK\$'M)



* Being the EBIT net of the portion of non-controlling interests

Revenue

The Group's revenue for the year ended 30 June 2011, including sales proceeds of investment properties held for sale (i.e. Broadwood Twelve), treasury income and the attributable share of revenues of JCEs engaged in toll road and power plant operations, amounted to HK\$6,973 million, which was 59% higher than the HK\$4,382 million reported for the previous financial year.

The significant rise in revenue was mainly due to sales of residential units of Broadwood Twelve, together with increased sales of electricity by Heyuan Power Plant, one of the Group's JCEs.

The Group's attributable share of the revenues of GS Superhighway and Phase I West continued to grow. The commencement of Phase II West's operations in June 2010 further strengthened the toll road business division's operating revenue stream. Panda Hotel's business recovered from the impact of the global economic downturn during 2009, and this was the principal cause of the upturn in the results of the Group's hospitality division. The general improvement in the property letting, agency and management division's results was another major factor in the growth of the Group's revenue.

Earnings before Interest and Tax

The Group's EBIT before gain on completion on investment properties increased by 20% from HK\$1,546 million last year to HK\$1,855 million. This growth was primarily due to income from sales of the Hopewell New Town in Huadu and Broadwood Twelve, as well as an increase in treasury income derived from cash on hand and loans to the Group's JCEs. The Panda Hotel's business, particularly its rooms division, grew markedly.

Meanwhile, the Group's EBIT after gain on completion of investment properties decreased by 51% year-on-year, from HK\$3,784 million to HK\$1,855 million. This was due to a one-off HK\$2,238 million gain on completion of Broadwood Twelve reported last year.

Exceptional Item

The exceptional item for last year represents the write-back of a warranty provision of HK\$30 million.

Impact of Adoption of HKAS 12 (Amendments) - Deferred Tax: Recovery of Underlying Assets

During the year, the Group adopted the amendments to HKAS 12 "Income Taxes" in advance of the effective date. As a result of the amendments, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the end of the reporting period.

As previously reported, notional fair value gain of Broadwood Twelve up to 24 May 2010, when the Group decided to sell Broadwood Twelve flats instead of holding them for rental as

originally planned, should be capital in nature, and as such should not be subject to Hong Kong Profits Tax. However, the Group had previously provided deferred tax for fair value changes of all investment properties, irrespective of whether tax liability would arise if the properties were disposed of, solely for the compliance of HKAS 12 before the amendments.

As a result of the amendments of HKAS 12, the Directors consider that deferred tax should not be provided for changes in fair value of the Group's investment properties, except for the changes in fair value of Broadwood Twelve arising after 24 May 2010. This resulted in a decrease in the Group's deferred tax liabilities and a corresponding increase in the Group's net asset value as at 30 June 2011 by HK\$2,053 million. In the current year, this also resulted in an increase in the Group's profit for the year by HK\$528 million.

Enterprise Income Tax ("EIT") of HHI Joint Ventures ▶

The tax concessions for both GS Superhighway and Phase I West have been adjusted following the PRC's 2008 tax reform, and their EIT rates will increase gradually to 25%. The rate applicable to GS Superhighway rose from 10% to 22% in 2010, and it has risen further to 24% in 2011. The rate applicable to Phase I West increased from 10% to 11% in 2010 and it has risen to 24% in 2011. These significant increases in the EIT liabilities of the JV companies will inevitably affect the HHI Group's results for FY11. The EIT rate for GS Superhighway and Phase I West will be stabilised at 25% from 2012 until the expiry of the contractual operation periods of GS Superhighway JV and Phase I West of West Route JV. Phase II West is exempt from EIT from 2010 to 2012.

Its applicable rate from 2013 to 2015 will be 12.5%, and it will be stabilised at 25% from 2016 until the expiry of the contractual operation period of Phase II West of West Route JV.

Profit Attributable to Owners of the Company ▶

Excluding changes in the fair value of the Group's investment properties and the exceptional item, the core profit attributable to the Company's owners during the year was HK\$1,214 million, an increase of HK\$184 million or 18% from HK\$1,030 million recorded for the previous financial year.

The profit attributable to owners of the Company increased by 16% year-on-year, from HK\$4,827 million to HK\$5,576 million. This was mainly due to the increase in the fair value of its investment properties and core profit.

Liquidity and Financial Resources ▶

As at 30 June 2011, the net cash position and available committed banking facilities of HHL and its subsidiaries (excluding the HHI Group*) were as follows:

HK\$ million	2010	2011
Net cash	994	1,843
Available Committed Banking Facilities	12,850	6,920
Net Cash and Available Committed Banking Facilities	13,844	8,763

As at 30 June 2011, the cash balance of HHL and its subsidiaries (excluding the HHI Group*) amounted to HK\$2,784 million, which included cash in RMB of RMB1,780 million (equal to HK\$2,144 million) and cash in HK Dollar of HK\$640 million.

The net cash position of HHL and its subsidiaries, which represents the cash balance after deducting the HK\$941 million banking facilities drawn during the year, equals to HK\$1,843 million.

The Group expects its strong financial resources will be sufficient to meet the funding requirements of the projects it is currently developing. It currently plans to spend between FY12 to FY14 a total of approximately HK\$4.5 billion. The cash on hand, available committed banking facilities, healthy cash flow from prime-earning businesses, together with proceeds from sale or pre-sale of Broadwood Twelve, Lee Tung Street and Hopewell New Town projects, should provide sufficient funding for the projects which the Group is currently developing.

Major Projects Plan

Projects	Target Completion	Total Investment ^{N1} HK\$'M	Interest %	HHL's Portion of Total Investment ^{N1} HK\$'M	HHL's Injection FY12 to FY14 ^{N1} HK\$'M
Hong Kong					
Lee Tung Street Project	2015	9,000	50%	4,500	0 ^{N2}
Hopewell Centre II	2016	5,000	100%	5,000	3,000
PRC					
Hopewell New Town (Residential portion)					
• 58,000m ²	FY12	320		300	
• 71,000m ²	FY13	360	95%	340	1,120
• 80,000m ²	FY14	500		480	
Liede Project	2015	1,200	Operating Lease	1,200	420
Total				11,820	4,540

N1 Present planning, subject to change

N2 The investment is financed by the project's bank loan

Based on exchange rate RMB1 = HK\$1.201 (June 2011)

* As at 30 June 2011, the HHI Group (consisting of HHI and its subsidiaries but excluding its JCEs) had a cash balance of RMB2,856 million, equal to HK\$3,439 million (30 June 2010: RMB2,158 million, equal to HK\$2,475 million). Taking into account the RMB1.38 billion and RMB600 million raised by HHI's RMB corporate bond issues in July 2010 and May 2011 respectively, and corporate loans of HK\$25 million, the HHI Group had net cash in hand of RMB855 million (equal to HK\$1,030 million) at corporate level.

Maturity Profile of Major Committed Banking Facilities

	Maturity Date
HK\$7,000 million syndicated loan	September 2014

As at 30 June 2011, HK\$6,420 million out of the HK\$7,000 million syndicated loan remained undrawn.

Apart from the above facility, as at 30 June 2011 the Group also had available undrawn committed banking facilities amounting to HK\$500 million (30 June 2010: HK\$5,850 million, including a HK\$5,350 million syndicated loan that expired on 30 June 2011) and uncommitted banking facilities amounting to HK\$500 million (30 June 2010: HK\$502 million).

On 18 May 2011, HHI successfully issued the second RMB corporate bonds to institutional investors. These had a total value of RMB600 million and they are due in May 2014. The interest costs of RMB bonds issued in Hong Kong are lower than those for PRC bank loans of the same maturity. The bond issue has provided funds for the development of Phase III West. This not only broadens the financing resources of HHI's JV company in the PRC, it also strengthens HHI's financial position and helps it to maintain a healthy balance sheet that will enable it to explore new projects in the future.

The People's Bank of China raised interest rates four times during the year, resulting in increased finance costs for both existing and future RMB loans to JV companies. These costs are being proportionately shared by the HHI Group, and those RMB loans accounted for around 41% of its total loans as at 30 June 2011.

The Group's financial position remains strong. Its net cash balance on hand and available undrawn banking facilities provide it with sufficient financial resources for its recurring operating activities, and its present and potential future investment activities.

Treasury Policies ▶

The Group maintains prudent and conservative treasury policies. Their objectives are to minimise finance costs and optimise the return on financial assets.

The Group did not have any hedging arrangements to hedge its exposure to interest or exchange rates during the year. However, it will continue to monitor these forms of risk exposure closely from time to time.

In general, all the Group's cash is placed as deposits denominated mainly in HK Dollars and Renminbi. The Group did not invest in any accumulator, equity-linked note or other financial derivative instruments during the year.

Project Commitments ▶

Details of the project commitments are set out in note 38 to the consolidated financial statements.

Contingent Liabilities ▶

Details of the contingent liabilities are set out in note 40 to the consolidated financial statements.

Charges on Assets ▶

As at 30 June 2011, none of the Group's assets was pledged to secure any loans or banking facilities.

Material Acquisition or Disposal ▶

There was no material acquisition or disposal during the year.

Others

Employees and Remuneration Policies ▶

As at 30 June 2011, the Group had approximately 1,354 employees. We offered competitive remuneration packages which were fixed and determined with reference to the prevailing salary levels in the market and individual performance. The Group operates share option and share award schemes for eligible employees to provide incentive to the participants for recognising their contribution and continuing efforts. In addition, discretionary bonuses would be granted to employees based on individual performance as well as the business performance of the Group. The Group provided medical insurance coverage to all staff members and offered personal accident insurance to senior staff members.

In compliance with the Minimum Wage Ordinance effective from 1 May 2011, the Group had conducted the full-scale review of the salary levels and organised briefing sessions for the management, department heads and employees to introduce the Ordinance and explain the impacts to the human resources related policies and practices. On top of offering competitive remuneration packages, the Group devoted to promote family-friendly employment policies and practices. Besides the 5-day work week arrangement since March 2010,

stress management workshops and seminars had also been introduced to the employees, which are delivered by the professionals to share the experience and methods to handle stress. The Group also invested in human capital development by providing relevant training programs to enhance employee productivity. In 2011, the Group hired 3 graduates with potential under a 24-month Management Trainee Program. They will be equipped with the essential business knowledge and management skills through the thoughtfully planned job rotations within our core-business units and corporate offices.

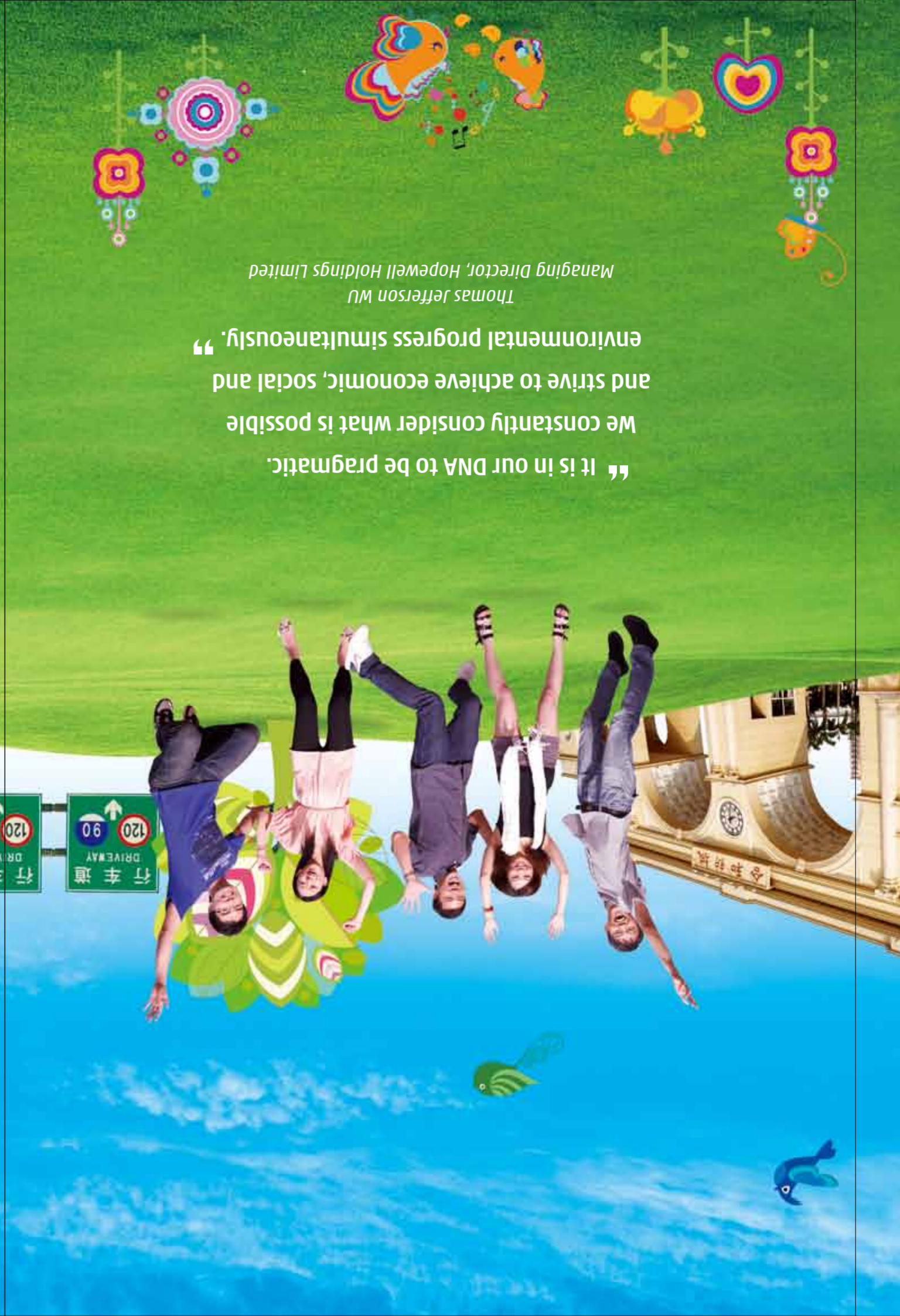
The Group's training programs are designed and tailor made for employees' knowledge and skill gaps identified during performance appraisals. The overall training objectives are to enhance employees' personal productivity and to identify their individual interest for preparing their future roles and thereby contribute to the business success. In addition to formal training programs, the Group also provides a comprehensive training and self-learning opportunities such as on-the-job training and educational sponsorship to relevant employees. The Group also organised different seminars, for instance, corruption prevention, anti-discriminations and also occupational health and safety seminars which were delivered by ICAC, Equal Opportunities Commission and Occupational Safety and Health Council respectively to raise employees' awareness and introduce the good practices of the respective topics.



Introduction

This is the first year that we published a Sustainability Report, demonstrating our commitment to transparency and accountability to our stakeholders. Since 2009, we have incorporated our corporate social responsibility (CSR) report into our annual and interim reports. In order to provide a more in-depth coverage of our sustainability activities and performance, we have decided to publish an annual Sustainability Report starting from 2011.

We have written the Report according to the Global Reporting Initiative (GRI) sustainability reporting G3.1 framework. We are pleased to declare our achievement of a B level Report.



“ It is in our DNA to be pragmatic, and strive to achieve economic, social and environmental progress simultaneously. ”

*Thomas Jefferson Wu
Managing Director, Hopewell Holdings Limited*



Hopewell focuses on SUSTAINABILITY

Highlights of Sustainability Report 2010/11



For the full Sustainability Report, please visit:
www.hopewellholdings.com/SUSTAINABILITY



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MANAGING DIRECTOR'S MESSAGE

Promoting sustainability is just as important as achieving long-term business growth. Over the past 40 years and since our establishment in the late 1960s, we have made continuous efforts to maintain a high degree of sustainability in our operations in both Hong Kong and Mainland China. Changes to the Board and management structure have enabled us to better integrate social and environmental values into our core business. We value the opportunities to learn more about the needs and expectations of our communities and other stakeholders. To this end, we established an independently reviewed stakeholder engagement process in 2011. In the same year we also established our Sustainability Steering Committee to strengthen our management efforts in promoting sustainability through our corporate governance, environmental protection, community investment and workplace practices.

Our management approach is to look beyond regulations and improve our practices across our different business divisions, whilst balancing the needs of different stakeholders. With property and infrastructure development being the main part of our core business operations, we have placed significant emphasis on the energy efficiency of the premises and highways that we develop and manage. We believe sustainability should start at the design stage. We consider environmental concerns at the early stage of planning, all the way through to the construction and eventual management and maintenance of our buildings and highways. The strong engineering background and technological excellence of our team has been central to our achievements. In particular, we believe we have an important role to play in promoting road safety.

In view of our investment in a coal-fired power plant in Mainland China, we recognise the responsibility we have to minimise the environmental impacts of burning coal and producing greenhouse gas emissions. We have therefore pioneered the implementation of one of the most environmentally efficient systems in Guangdong Province. We are also actively testing and developing our own technology for large-scale wind turbines to respond to the growing demand for clean renewable electricity. We do not view our economic progress to be in competition to our social or environmental progress.

This Report lays out our sustainability efforts in our 2010/11 financial year and highlights areas where we want to improve. Responding to employees' needs and offering career and personal development opportunities that go beyond common workplace practice is an important part of our strategy. Increasing staff awareness about health and safety issues, environmental performance and community investment is part of our responsibility. This will enable us to collectively achieve our business goals. Our sustainability efforts also extend to business partners and suppliers to ensure high quality and responsible services and products for customers.

We will continue to look for ways to improve our performance. In the coming years, we look forward to enhancing engagement with all our stakeholders and we will continue our legacy to operate in a sustainable way, excelling for the long term.

Thomas Jefferson WU
Managing Director, Hopewell Holdings Limited

CORPORATE GOVERNANCE AND SUSTAINABILITY

Our commitment to sustainability has grown into a philosophy permeating all levels of management and staff.

The Group's highest governance body is the Board of Directors, which is committed to a high degree of transparency and embraces principles of good corporate governance to mitigate risks. We have also adopted an integrated management approach to monitor and reduce our business exposure to environmental, social, and governance risks.

A formal Sustainability Steering Committee was jointly established by HHL and HHI in early 2011 to further promote sustainability as part of the Group's long term development. The Committee serves as an important driver of our corporate

governance initiatives, as well as sustainability programmes in the three core areas of community, environment and employees.

Our core sustainability values:

- We regard the promotion of sustainable community growth just as important as achieving long-term business growth
- We believe a thriving community facilitates our continuing business success
- We consider the ongoing communication with our stakeholders as vitally important to uphold the well-being of the community
- We will continue to listen to our stakeholders' views and work together with them to achieve a win-win scenario

OUR STAKEHOLDER ENGAGEMENT

The nature of our business requires us to take into account stakeholder views when designing and implementing property and infrastructure developments. Over the years, we have developed various communication channels that enable us to share information with stakeholders and receive feedback on an on-going basis. We also recognise that systematic engagement with all stakeholders is essential for any long-term sustainability plan. We conducted our first independent stakeholder engagement exercise to ensure the materiality of our reporting. Stakeholder opinions are important to us and help drive improvements in our business and operational performance. Our actions to respond to our various stakeholders include:

- **Communities:** Taking the views of local residents, our tenants, NGO partners and district councillors into consideration during the planning and design stage of our development projects
- **Employees:** Establishing the HH Social Club in early 2011 to provide an additional platform for staff engagement and internal communication
- **Investors:** Promoting effective communication with investors through investor conferences, meetings and teleconferences to disseminate information and receive feedback in a timely manner
- **Customers:** Engaging our customers through newsletters, Facebook pages, evaluation forms, comment cards etc. Apart from business updates, we also share news on our sustainability initiatives
- **Suppliers/Contractors:** Participating in industrial bodies to equip ourselves with the latest industry information and share such information with our contractors, suppliers and their workers

OUR ENVIRONMENTAL PERFORMANCE

We have a long-standing commitment to the environment. As stakeholders become more sophisticated and aware of environmental issues, we are recognised for having invested in environmental practices early on and at every stage of our developments.

- Promoting the use of electric vehicles (EV) by installing over 40 chargers in properties we owned or managed and acquiring an additional EV in our company car fleet to promote cleaner air by reducing roadside emissions
- Launching the Go Green Workplace Campaign in our offices with Green Captains in each of the business units and departments encouraging staff to be energy efficient and to recycle
- Increasing energy efficiency of our properties. At Hopewell Centre, our flagship property, more than HK\$140 million was invested in refurbishment programmes over the past 10 years, contributing to continuous reduction in energy consumption
- Continuing to promote environmentally responsible power generation such as developing our own large-scale vertical axis wind-turbine technology as well as installing wind and photovoltaic hybrid CCTV system in Western Delta Route
- Installing a flue gas desulphurisation wastewater treatment system at Heyuan Power Plant, making it the first one in China to be equipped with such system, to achieve the target of zero discharge of wastewater

MILESTONES 2010/2011



Voluntary Visit to Elderly Centre



The Community Chest Dress Special Day



The Community Chest Love Teeth Day



HHL was Honoured with the Best CSR Award & Best IR Award



HHL and Seven Subsidiaries Awarded the Caring Company Logo



HH Social Club 100-Member Volunteer Team Tuen Ng Elderly Visit



HHL was Honoured with The Best of Asia Award in the 7th Corporate Governance Asia Recognition Awards

JUL 2010

AUG 2010

SEP 2010

OCT 2010

NOV 2010

DEC 2010

JAN 2011

FEB 2011

MAR 2011

APR 2011

MAY 2011

JUN 2011



Red Decor Day of Hong Kong Red Cross



World Diabetes Day



The Community Chest Hong Kong & Kowloon Walk for Millions



The Community Chest Sports Corporate Challenge



Hong Kong Spirit Ambassadors Roadshow



Olympic Day cum Olympic Day Run

OUR PEOPLE

We regard our employees as our greatest asset. We endeavour to provide good benefits, promote work-life balance, develop talent and reinforce health and safety awareness amongst our staff. By enhancing communication with our employees, we aim to cultivate a sustainable workplace and responsible corporate culture.

- Establishing the HH Social Club to engage staff in a variety of CSR, sports and recreational activities, strengthen internal communication and promote work-life balance
- Encouraging staff to participate in sports by organising free staff bowling classes coached by Ms Vanessa Fung, Hong Kong Bowling Team Representative
- Launching the Employee Assistance Programme (EAP) to help employees manage stress through a professional counselling service
- Launching the "Beyond the Expectations" Reward Programme to recognise employees who demonstrate devotion to their work and loyalty to the company

CUSTOMERS AND COMMUNITIES

We believe that contributing to the local communities in which we operate is just as important as excelling in customer service. Communities are where our customers come from. Indeed, they are inseparable.

- Continuing our efforts in revitalising Wan Chai through our two major projects, Hopewell Centre II and Lee Tung Street Project, as well as the proposed 1km Wan Chai Pedestrian Walkway which will further strengthen Wan Chai as a commercial and community friendly hub by 2016
- Cultivating youth education and sports development. We supported the Hong Kong Athletes Career & Education Programme of the Sports Federation & Olympic Committee of Hong Kong, China, by recruiting another elite athlete to join HHL in early 2011
- Promoting arts and cultural development with our versatile performance venues at KITEC in addition to offering financial support to arts and cultural events
- Establishing a formal Corporate Volunteer Team and hosting an inaugural event of visiting over 100 solitary elders with a team of over 100 volunteers from the Group, local athletes and members of the Hong Kong Outstanding Students' Association
- Promoting environmental protection to tenants and customers. Hopewell Centre promotes a "Green Office Management" initiative and encourages its tenants to adopt the principles of Reduce, Reuse, Replace, and Recycle

PROCUREMENT AND SUPPLY CHAIN

We aim to ensure that all purchasing practices are governed by the highest professional and ethical standards.

- Providing an Environmental Code of Conduct for all qualified contractors or suppliers of property and facility management. They are required to understand and officially acknowledge our Environmental Code of Conduct

- Tendering out 100 per cent of the contracts, all of which include a "Safety Production Agreement" and "Warranty of Wage Payment for Construction Site Workers" for Phase III of the Western Delta Route
- Selecting to work only with reputable coal suppliers with good safety records to ensure appropriate safety measures are in place down the supply chain of Heyuan Power Plant

HIGHLIGHTS OF ACTIONS FOR 2011/12

- To develop a formal stakeholder engagement strategy
- To develop a Group-wide environmental policy
- To appoint additional Independent Non-Executive Directors to enhance the Board mix
- To strengthen partnerships with environmental NGOs to promote clean air
- To develop a centralised data collection system that will capture statistics on training, staff development and other welfare programmes across all of our businesses
- To develop a more comprehensive community investment strategy to guide our efforts in this area and formalise an assessment system to examine the effectiveness of our community involvement and employee volunteering programmes
- To develop a Group-wide policy for responsible procurement and supply chain practice

Corporate Governance Practices ▶

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the CG Code contained in Appendix 14 of the Listing Rules. Throughout the year ended 30 June 2011, the Company has complied with all code provisions set out in the CG Code.

Board of Directors ▶

The Company is managed through the Board which currently comprises eight Executive Directors (including the Chairman), three Non-Executive Directors and three Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 22 to 29 of this Annual Report.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Managing Director.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

Sir Gordon WU served as Chairman of the Board throughout the year and is responsible for providing leadership and management of the Board. The role of the Chairman is separated from that of the Managing Director. Mr. Thomas Jefferson WU (a son of Sir Gordon WU), the Managing Director, is responsible for the day-to-day management of the business of the Company. The division of the responsibilities between the Chairman and the Managing Director has been established and set out clearly in writing.

Non-Executive Directors and Independent Non-Executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgment. At least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-Executive Director a written annual confirmation of independence. All the Independent Non-Executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

In accordance with the Company's Articles of Association, all newly appointed Directors shall hold office until the next following general meeting of the Company after their appointment and shall then be eligible for re-election. Every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her (i) last appointment by the Board, (ii) last election or (iii) last re-election, and shall be eligible for re-election subject to the provisions of the Company's Articles of Association. All Non-Executive Directors and Independent Non-Executive Directors are appointed for a specific term of three years and are subject to retirement from office and re-election at least once every three years.

The Board regularly reviews the plans for orderly succession for appointments to the Board and its structure, size and composition. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-Executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director will normally be made by the Chairman and/or the Managing Director and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

With a view to enhancing the corporate governance practice of the Company, Mr. Sunny TAN was appointed as an Independent Non-Executive Director on 22 November 2010 and a member and Chairman of the Audit Committee of the Company on 3 May 2011. Mr. TAN will receive a Director's fee at such rate as from time to time to be approved by the shareholders at the annual general meetings of the Company, currently being HK\$200,000 per annum to be paid by the Company in arrears. His emolument is determined with reference to his duties and responsibilities within the Company, the remuneration policies of the Company and the prevailing market conditions and practice. Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws.

The Company has arranged appropriate insurance cover in respect of legal action against the Directors and officers.

Board Committees ►

The Board has established a Committee of Executive Directors in September 1991 with delegated authority for reviewing and approving the day to day business operations and ordinary and usual course of business of the Company. This committee comprises all the Executive Directors of the Company.

The Company has also established the Audit Committee and the Remuneration Committee to deal with the following specific matters in the interest of all shareholders in an objective manner. Members of these two Committees currently comprise Non-Executive Director and Independent Non-Executive Directors.

	Audit Committee	Remuneration Committee
Committee Members	<p>Mr. Sunny TAN** (<i>Chairman</i>) (appointed on 3 May 2011)</p> <p>Ms. Linda Lai Chuen LOKE**</p> <p>Mr. Guy Man Guy WU**</p> <p>Mr. Lee Yick NAM** (<i>Ex-Chairman</i>) (resigned on 3 May 2011)</p>	<p>Mr. Carmelo Ka Sze LEE* (<i>Chairman</i>) (appointed on 3 May 2011)</p> <p>Ms. Linda Lai Chuen LOKE**</p> <p>Mr. Guy Man Guy WU** (appointed on 3 May 2011)</p> <p>Mr. Eddie Ping Chang HO# (<i>Ex-Chairman</i>) (resigned on 3 May 2011)</p> <p>Mr. Lee Yick NAM** (resigned on 3 May 2011)</p>
Major responsibilities and functions	<ul style="list-style-type: none"> - Consider the appointment and independence of external auditor. - Review and supervise the Group's financial reporting process, internal control and compliance. - Review and monitor the interim and annual financial statements before submission to the Board. 	<ul style="list-style-type: none"> - Assist the Board for development and administration of the policy and procedure on the remuneration of the Directors and senior management of the Company.
Work performed during the year	<ul style="list-style-type: none"> - Considered and approved the terms of engagement of the external auditor and their remuneration. - Reviewed the annual financial statements for the year ended 30 June 2010 and the interim financial statements for the six months ended 31 December 2010. - Reviewed the work performed by the Internal Audit Department and the Group's internal control system. 	<ul style="list-style-type: none"> - Reviewed the level of Directors' fees and made recommendation on the Directors' fees for the year ended 30 June 2011.

Executive Director
 * Non-Executive Director
 ** Independent Non-Executive Director

Attendance at Meetings ▶

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings and Annual General Meeting are as follows:

	Number of meetings attended/held			
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Annual General Meeting
Number of meetings held	4	2	1	1
Executive Directors				
Sir Gordon WU GBS, KCMG, FICE (Chairman)	3 out of 4	N/A	N/A	1 out of 1
Mr. Eddie Ping Chang HO (resigned as Remuneration Committee Chairman on 3 May 2011)	4 out of 4	N/A	1 out of 1	1 out of 1
Mr. Thomas Jefferson WU	4 out of 4	N/A	N/A	1 out of 1
Mr. Josiah Chin Lai KWOK	3 out of 4	N/A	N/A	1 out of 1
Mr. Robert Van Jin NIEN (retired at the conclusion of 2010 Annual General Meeting held on 20 October 2010)	1 out of 1	N/A	N/A	1 out of 1
Mr. Albert Kam Yin YEUNG	4 out of 4	N/A	N/A	1 out of 1
Mr. Eddie Wing Chuen HO Junior	4 out of 4	N/A	N/A	1 out of 1
Mr. William Wing Lam WONG	4 out of 4	N/A	N/A	1 out of 1
Ir. Leo Kwok Kee LEUNG	4 out of 4	N/A	N/A	1 out of 1
Non-Executive Directors				
Mr. Henry Hin Moh LEE	4 out of 4	N/A	N/A	1 out of 1
Lady WU	4 out of 4	N/A	N/A	0 out of 1
Mr. Carmelo Ka Sze LEE (appointed as Remuneration Committee Chairman on 3 May 2011)	4 out of 4	N/A	N/A	1 out of 1
Independent Non-Executive Directors				
Mr. Guy Man Guy WU (appointed as member of Remuneration Committee on 3 May 2011)	4 out of 4	2 out of 2	N/A	1 out of 1
Ms. Linda Lai Chuen LOKE	4 out of 4	2 out of 2	1 out of 1	1 out of 1
Mr. Lee Yick NAM (resigned as Audit Committee Chairman and member of Remuneration Committee on 3 May 2011, and resigned as Independent Non-Executive Director on 14 May 2011)	4 out of 4	2 out of 2	1 out of 1	1 out of 1
Mr. Sunny TAN (appointed as Independent Non-Executive Director and Audit Committee Chairman on 22 November 2010 and 3 May 2011 respectively)	2 out of 2	N/A	N/A	N/A

Remuneration Policy ▶

The Company recognises the need to implement a competitive remuneration policy in order to attract, retain and motivate the Directors and senior management to achieve the corporate targets. The remuneration package of the Executive Directors comprises some fixed elements: basic salary, provident fund contribution and other benefits including insurance cover, as well as bonus, share options and share awards which are performance related elements. No Director is allowed to approve his/her own remuneration.

The fixed elements of the Executive Directors' remuneration are reviewed annually and will take into account the job nature, responsibilities, experience and performance of the individual as well as prevailing market salary practices. Directors' fees for the current financial year had been approved by the shareholders at the last Annual General Meeting of the Company held on 20 October 2010.

Securities Transactions ▶

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its model code for securities transactions by the Company's Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on the specific enquiry made, all Directors have confirmed that they have complied fully with the Model Code throughout the year.

Financial Reporting ▶

The Directors recognise the responsibility for preparing the consolidated financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

External Auditor ▶

The Company's external auditor is DTT. The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 92 and 93 of this Annual Report. The independence of the external auditor is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration. Apart from the statutory audit of the Group's consolidated financial statements, DTT was also engaged to perform a review on the interim financial information of the Company for the six months ended 31 December 2010 as well as provision of comfort letter and related services in connection with the issue of Renminbi bonds by HHI.

Further, pursuant to Rule 14A.38 of the Listing Rules, the Board engaged DTT to perform certain agreed upon procedures in respect of the continuing connected transactions as set out under the section headed "Continuing Connected Transactions" in the Report of the Directors.

During the year ended 30 June 2011, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	HK\$'000
Audit services	5,542
Non-audit services:	
Interim review	874
Others	440
Total	6,856

Internal Controls ▶

The Board is of the opinion that a sound internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations and will assist the Board in the management of any failure to achieve business objective.

The Group's internal control procedures include a comprehensive system for reporting information to the division head of each business unit and the Executive Directors.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the Executive Directors. Plans and budgets are reviewed on a quarterly basis to measure actual performance against the budget. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Different guidelines and procedures have been established for the approval and control of operating expenditures, capital expenditures and the unbudgeted expenditures and acquisitions.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each unit and hold periodical meetings with the senior management of each business unit and the finance team to review these reports, discuss business performance against budgets, forecasts and market conditions, and to address accounting and finance related matters.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. Evaluation of the Group's internal control is independently conducted by the Internal Audit Department on an on-going basis. Internal Audit Department reports to the Audit Committee at least twice every year on significant findings on internal controls.

For the year under review, the Board has through the Audit Committee reviewed the effectiveness of the Group's internal control system.

Investor Relations ▶

Accountability to shareholders is of paramount importance to the Company. The Company recognises strengthening investor relations through communicating corporate strategies, establishing market confidence and enhancing corporate transparency are critical for creating shareholder value. Through various communication channels, the Company provides investors and shareholders with timely, accurate and clear information to better understand the Company's businesses, growth opportunities and future prospects.

During the year under review, the Company worked diligently to strengthen communication and actively engage its shareholders and investors through participations in investment conferences as well as meetings and teleconferences with investors and analysts. In addition to presentations for analysts and media on results announcements, the Company also provided the investment community with opportunities for interactive communication by proactively participating in various road shows. These events enabled investors and shareholders to gain knowledge and insight into the Company's latest developments.

To deliver timely and accurate corporate information to investors and the public, the Company maintains a corporate website at www.hopewellholdings.com. This website acts as an effective intermediary for comprehensively and promptly disclosing corporate information, including company announcements, press releases, interim and annual reports as well as investor presentation slides. The website also contains a wide range of additional information on the Company's businesses.

Enhancing shareholder value remains one of the Company's key objectives. The Company is also committed to maintaining the highest standards of corporate governance. Looking forward, the Company is resolved to continue providing shareholders and the general public with access to relevant information in a fair, transparent and timely manner.

Report of the Directors

The Directors have pleasure in presenting their report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30 June 2011.

Principal Activities ▶

The principal activity of the Company is investment holding and the Company's subsidiaries are active in the fields of investment in infrastructure projects, property development and investment, property agency and management, hotel investment and management, restaurant and catering operations.

Results ▶

The results of the Group for the year ended 30 June 2011 are set out in the Consolidated Statement of Comprehensive Income on page 94.

Dividends ▶

The Directors recommend the payment of a final dividend of HK58 cents (2010: HK54 cents) per share plus a special final dividend of HK45 cents (2010: Nil) per share in respect of the year ended 30 June 2011.

Together with the interim dividend of HK45 cents per share (2010: interim dividend of HK45 cents per share) paid on 17 March 2011, total dividends for the year will be HK148 cents (2010: HK99 cents) per share.

Major Projects and Events ▶

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Business Review" as set out on pages 30 to 59.

Share Capital ▶

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

Share Premium and Reserves ▶

Movements in share premium and reserves during the year are set out in the Consolidated Statement of Changes in Equity on page 98 and note 36 to the consolidated financial statements.

Distributable Reserve ▶

The Company's distributable reserve at 30 June 2011 amounts to approximately HK\$5,215 million (2010: HK\$4,619 million) which represents retained profits of the Company as at that date.

Donations ►

Donations made by the Group during the year for charitable and other purposes amounted to HK\$4,765,000 (2010: HK\$3,776,000).

Fixed Assets ►

Movements in investment properties and property, plant and equipment during the year are set out in notes 15 and 16 to the consolidated financial statements respectively. Particulars regarding the major properties and property interests of the Group are set out on pages 160 and 161.

Major Customers and Suppliers ►

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

Directors and Senior Management ►

The Directors of the Company and their profiles as at the date of this report are set out on pages 22 to 29. Changes during the year and up to the date of this report are as follows:

- | | |
|-------------------------|--|
| Mr. Robert Van Jin NIEN | (retired on 20 October 2010) |
| Mr. Sunny TAN | (appointed as an Independent Non-Executive Director and the Chairman of the Audit Committee on 22 November 2010 and 3 May 2011 respectively) |
| Mr. Lee Yick NAM | (resigned as a Member of the Remuneration Committee and the Chairman of the Audit Committee on 3 May 2011, and resigned as an Independent Non-Executive Director on 14 May 2011) |
| Mr. Eddie Ping Chang HO | (resigned as the Chairman of the Remuneration Committee and Alternate Director to Sir Gordon WU and Lady WU on 3 May 2011 and 14 May 2011 respectively) |
| Mr. Guy Man Guy WU | (appointed as a Member of the Remuneration Committee on 3 May 2011) |
| Mr. Carmelo Ka Sze LEE | (appointed as the Chairman of the Remuneration Committee on 3 May 2011) |
| Mr. Thomas Jefferson WU | (appointed as Alternate Director to Sir Gordon WU and Lady WU on 14 May 2011) |

In accordance with the Company's Articles of Association, every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her last election/re-election and shall be eligible for re-election subject to the provisions of the Articles of Association of the Company. Mr. Josiah Chin Lai KWOK, Mr. Guy Man Guy WU, Lady WU and Ms. Linda Lai Chuen LOKE shall retire from office at the forthcoming Annual General Meeting and, being eligible, offered themselves for re-election.

Furthermore, in accordance with the Company's Articles of Association, all newly appointed Directors shall hold office until the next following general meeting of the Company after their appointment and shall then be eligible for re-election. Mr. Sunny TAN, who was appointed as an Independent Non-Executive Director of the Company on 22 November 2010, shall hold office until the forthcoming Annual General Meeting after his appointment and, being eligible, offered himself for re-election.

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

Directors' Interest in Contracts of Significance ►

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or were parties and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Shares, Underlying Shares and Debentures ►

As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) the Company⁽ⁱ⁾

Directors	Shares					Underlying shares of equity derivatives ^(iv)	Total Interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱⁱ⁾ (interests of controlled corporation)	Other interests ⁽ⁱⁱⁱ⁾				
Sir Gordon WU	74,683,240	25,420,000 ^(v)	111,650,000 ^(vi)	30,680,000	-	242,433,240 ^(ix)	27.65	
Eddie Ping Chang HO	27,008,000	1,366,000	70,000	-	-	28,444,000	3.24	
Thomas Jefferson WU	27,600,000	-	-	-	-	27,600,000	3.15	
Josiah Chin Lai KWOK	1,275,000	-	-	-	-	1,275,000	0.15	
Henry Hin Moh LEE	5,104,322	-	-	-	-	5,104,322	0.58	
Guy Man Guy WU	2,645,650	-	-	-	-	2,645,650	0.30	
Lady WU	25,420,000	125,143,240 ^(vii)	61,190,000 ^(viii)	30,680,000	-	242,433,240 ^(ix)	27.65	
Linda Lai Chuen LOKE	-	1,308,981	-	-	-	1,308,981	0.15	
Albert Kam Yin YEUNG	250,000	-	-	-	-	250,000	0.03	
Eddie Wing Chuen HO Junior	608,000	-	-	-	-	608,000	0.07	
William Wing Lam WONG	150,000	-	-	-	288,000	438,000	0.05	

Notes:

- (i) All interests in the shares and underlying shares of equity derivatives of the Company were long positions. None of the Directors or chief executives held any short position in the shares and underlying shares of equity derivatives of the Company.
- (ii) The corporate interests were beneficially owned by companies in which the relevant Directors were deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The other interests in 30,680,000 shares represented the interests held by Sir Gordon WU jointly with his wife Lady WU.
- (iv) The interests in underlying shares of equity derivatives represented interests in options granted to Directors under the 2003 Share Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options of the Company".
- (v) The family interests in 25,420,000 shares represented the interests of Lady WU.
- (vi) The corporate interests in 111,650,000 shares held by Sir Gordon WU included the interests in 61,190,000 shares referred to in Note (viii) and 400,000 shares held through corporation controlled by a trust set up by Sir Gordon WU.
- (vii) The family interests in 125,143,240 shares represented the interests of Sir Gordon WU. This figure included 50,060,000 shares held by Sir Gordon WU through corporations and 400,000 shares held through corporation controlled by a trust set up by Sir Gordon WU.
- (viii) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.
- (ix) Sir Gordon WU and Lady WU were deemed under the SFO to have same interests with each other.

(B) Associated Corporation - HHI

Directors	HHI Shares				Other Interests	Total Interests	% of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests ⁽ⁱ⁾ (interests of controlled corporation)				
Sir Gordon WU	13,717,724	5,244,000 ⁽ⁱⁱ⁾	21,249,999 ⁽ⁱⁱⁱ⁾	6,136,000 ^(iv)	46,347,723 ^(viii)	1.56	
Eddie Ping Chang HO	4,751,000	275,000	14,000	-	5,040,000	0.17	
Thomas Jefferson WU	15,400,000	-	-	-	15,400,000	0.52	
Josiah Chin Lai KWOK	127,500	-	-	-	127,500	0.00	
Henry Hin Moh LEE	789,960	-	-	-	789,960	0.03	
Guy Man Guy WU	264,565	-	-	-	264,565	0.01	
Lady WU	5,244,000 ^(v)	22,729,725 ^(vi)	12,237,998 ^(vii)	6,136,000 ^(iv)	46,347,723 ^(viii)	1.56	
Linda Lai Chuen LOKE	-	130,898	-	-	130,898	0.00	
Albert Kam Yin YEUNG	29,000	-	-	-	29,000	0.00	
Eddie Wing Chuen HO Junior	60,800	-	-	-	60,800	0.00	
William Wing Lam WONG	15,000	-	-	-	15,000	0.00	
Leo Kwok Kee LEUNG	200,000	-	-	-	200,000	0.01	

Notes:

- (i) These HHI Shares were beneficially owned by companies in which the relevant Directors were deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (ii) The interests in 5,244,000 HHI Shares were interests held by Lady WU.
- (iii) The corporate interests in 21,249,999 HHI Shares held by Sir Gordon WU included the corporate interests in 12,237,998 HHI Shares referred to in Note (vii).
- (iv) The other interests in 6,136,000 HHI Shares represented the interests held jointly by Sir Gordon WU and Lady WU.
- (v) The interests in 5,244,000 HHI Shares were personal interests beneficially owned by Lady WU and represented the same block of shares in Note (ii).
- (vi) The family interests in 22,729,725 HHI Shares represented the interests of Sir Gordon WU. This figure included 9,012,001 HHI Shares held by Sir Gordon WU through corporations.
- (vii) The corporate interests in 12,237,998 HHI Shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.
- (viii) Sir Gordon WU and Lady WU were deemed under the SFO to have same interests with each other.

All the above interests in the shares of associated corporation were long positions.

Save as aforesaid, as at 30 June 2011, none of the Directors or chief executives had any other interests or short positions in shares, underlying shares and debentures of associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options of the Company ►

The shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") effective on 1 November 2003.

- (A) The 2003 Share Option Scheme will expire on 31 October 2013, but any options then outstanding will continue to be exercisable. A summary of some of the principal terms of the 2003 Share Option Scheme is set out in (B) below.
- (B) The 2003 Share Option Scheme is designated to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any eligible persons (including substantial shareholders of the Company, directors or employees or consultants, professionals or advisers of/to each member of the Group) and for such other purposes as the Board may approve from time to time.

Under the 2003 Share Option Scheme, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the 2003 Share Option Scheme, unless a fresh approval from the shareholders is obtained. The maximum entitlement of each participant under the 2003 Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company. As at the date of this report, a total of 70,063,312 shares (representing approximately 7.99% of the issued share capital of the Company) are available for issue under the 2003 Share Option Scheme.

The period under which an option may be exercised will be determined by the Board in its discretion, save that an option shall expire not later than 10 years after the date of grant. Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 14 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option. The exercise price for an option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (deemed to be the date of offer), which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share in the Company.

- (C) Details of the movement of share options under the 2003 Share Option Scheme during the year ended 30 June 2011 were as follows:

	Date of grant	Exercise price per share HK\$	Number of share options				Outstanding at 30/06/2011	Exercise period	Closing price before date of grant falling within the year HK\$
			Outstanding at 01/07/2010	Granted during the year	Exercised during the year	Lapsed during the year			
Directors									
William Wing Lam WONG	10/10/2006	22.44	288,000	-	-	-	288,000	01/11/2007 -31/10/2013	N/A
Employees	10/10/2006	22.44	5,272,800	-	238,500	73,900	4,960,400	01/11/2007 -31/10/2013	N/A
Employees	15/11/2007	36.10	4,572,800	-	-	556,800	4,016,000	01/12/2008 -30/11/2014	N/A
Employees	24/07/2008	26.35	1,388,000	-	-	320,000	1,068,000	01/08/2009 -31/07/2015	N/A
Employees	11/03/2009	21.45	1,344,000	-	135,600	179,200	1,029,200	18/03/2010 -17/03/2016	N/A
Total			12,865,600	-	374,100	1,129,900	11,361,600		

No options were cancelled during the year.

The weighted average closing price of the shares on the dates immediately before the dates on which the options were exercised by the employees during the year was HK\$24.74.

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

Maximum options exercisable	Exercise period
Granted on 10 October 2006	
20% of options granted	01/11/2007-31/10/2008
40%* of options granted	01/11/2008-31/10/2009
60%* of options granted	01/11/2009-31/10/2010
80%* of options granted	01/11/2010-31/10/2011
100%* of options granted	01/11/2011-31/10/2013
Granted on 15 November 2007	
20% of options granted	01/12/2008-30/11/2009
40%* of options granted	01/12/2009-30/11/2010
60%* of options granted	01/12/2010-30/11/2011
80%* of options granted	01/12/2011-30/11/2012
100%* of options granted	01/12/2012-30/11/2014
Granted on 24 July 2008	
20% of options granted	01/08/2009-31/07/2010
40%* of options granted	01/08/2010-31/07/2011
60%* of options granted	01/08/2011-31/07/2012
80%* of options granted	01/08/2012-31/07/2013
100%* of options granted	01/08/2013-31/07/2015
Granted on 11 March 2009	
20% of options granted	18/03/2010-17/03/2011
40%* of options granted	18/03/2011-17/03/2012
60%* of options granted	18/03/2012-17/03/2013
80%* of options granted	18/03/2013-17/03/2014
100%* of options granted	18/03/2014-17/03/2016

* including those not previously exercised

Share Options of HHI ►

- (A) The share option scheme of HHI was approved by the written resolutions of the then sole shareholder of HHI passed on 16 July 2003 and approved by shareholders of the Company at an extraordinary general meeting held on 16 July 2003 (the "HHI Option Scheme"). The HHI Option Scheme will expire on 15 July 2013. A summary of some of the principal terms of the HHI Option Scheme is set out in (B) below.
- (B) The purpose of the HHI Option Scheme is to provide HHI with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to (i) any executive or non-executive directors including independent non-executive directors or any employees of each member of the HHI Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the HHI Group; (iii) any consultants, professional and other advisers to each member of the HHI Group; (iv) any chief executives, or substantial shareholders of HHI; (v) any associates of director, chief executive or substantial shareholder of HHI and (vi) any employees of substantial shareholder of HHI or such other purposes as the HHI Board may approve from time to time.

Under the HHI Option Scheme, the maximum number of shares in HHI which may be issued upon exercise of all options to be granted under the HHI Option Scheme and any other share option scheme of HHI will not exceed 10% of the total number of shares of HHI in issue immediately following completion of the initial public offering, unless a fresh approval of shareholders of HHI is obtained. The maximum entitlement of each participant under the HHI Option Scheme in any 12-month period must not exceed 1% of the issued share capital of HHI. As at the date of this report, a total of 277,920,000 shares (representing 9.38% of the issued share capital of HHI) are available for issue under the HHI Option Scheme.

The period during which an option may be exercised will be determined by the HHI Board at its absolute discretion and shall expire not later than 10 years after the date of grant. Unless otherwise determined by the HHI Board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 28 days from the date of offer. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the HHI Board may in its absolute discretion determine and notified to a participant. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant (or, if such date is not a business day, the next following business day (the "Grant Date")); (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value of a share in HHI.

- (C) Details of the movement of share options under the HHI Option Scheme during the year ended 30 June 2011 were as follows:

	Date of grant	Exercise price per share HK\$	Number of HHI share options					Outstanding at 30/06/2011	Closing price before date of grant falling within the year HK\$
			Outstanding at 01/07/2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/06/2011		
Employees of HHI	17/10/2006	5.858	4,440,000	-	-	72,000	4,368,000	01/12/2007 -30/11/2013	N/A
Employees of HHI	19/11/2007	6.746	360,000	-	-	-	360,000	01/12/2008 -30/11/2014	N/A
Employees of HHI	24/07/2008	5.800	400,000	-	-	-	400,000	01/08/2009 -31/07/2015	N/A
Total			5,200,000	-	-	72,000	5,128,000		

No options were cancelled during the year.

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

Maximum options exercisable	Exercise period
Granted on 17 October 2006	
20% of options granted	01/12/2007-30/11/2008
40%* of options granted	01/12/2008-30/11/2009
60%* of options granted	01/12/2009-30/11/2010
80%* of options granted	01/12/2010-30/11/2011
100%* of options granted	01/12/2011-30/11/2013
Granted on 19 November 2007	
20% of options granted	01/12/2008-30/11/2009
40%* of options granted	01/12/2009-30/11/2010
60%* of options granted	01/12/2010-30/11/2011
80%* of options granted	01/12/2011-30/11/2012
100%* of options granted	01/12/2012-30/11/2014
Granted on 24 July 2008	
20% of options granted	01/08/2009-31/07/2010
40%* of options granted	01/08/2010-31/07/2011
60%* of options granted	01/08/2011-31/07/2012
80%* of options granted	01/08/2012-31/07/2013
100%* of options granted	01/08/2013-31/07/2015

* including those not previously exercised

Share Awards of the Company ►

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

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

- (C) During the year under review, cash dividend income amounting to HK\$73,512 (2010: HK\$76,680) had been received in respect of the shares held upon the trust for the HHL Award Scheme and shall form part of the trust fund of such trust. The trustee may apply such cash or shares for the purchase of share which shall become returned shares for the purpose of the HHL Award Scheme, or apply such cash or shares to defray the fees, costs and expenses in relation to the establishment and administration of such scheme, or return such cash or shares to the Company, as the trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the remuneration committee of the Board.
- (D) There were no awarded shares granted or outstanding during the year ended 30 June 2011.

Share Awards of HHI ▶

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

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

- (C) There were no awarded shares granted or outstanding during the year ended 30 June 2011 and accordingly no dividend income was received in respect of shares hold upon the trust for the HHI Award Scheme (2010: Nil) during the year under review.

Arrangements to Acquire Shares or Debentures ▶

Save as disclosed in the previous sections headed "Share Options of the Company", "Share Options of HHI", "Share Awards of the Company" and "Share Awards of HHI", at no time during the year ended 30 June 2011 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors' Remuneration ►

The Directors' fees are determined by shareholders at the annual general meeting and the other emoluments payable to Directors are determined by the Board with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Service Contracts of Directors ►

No directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation). All the Non-Executive Directors and Independent Non-Executive Directors of the Company are appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Retirement and Pension Plan ►

To comply with the statutory requirements of the Mandatory Provident Fund Schemes Ordinance, the Group has set up the MPF Schemes. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. During the year, the Group made contributions to the MPF Schemes amounted to HK\$9,796,000.

Management Contracts ►

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

Substantial Shareholder ►

As at 30 June 2011, to the best knowledge of the Directors, the interests of persons (other than Directors and chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of shares (corporate interests)	% of issued share capital
Commonwealth Bank of Australia	Interests of controlled corporations	86,614,000	9.88%

The above interests in the shares of the Company held by the substantial shareholder were long position.

Save as disclosed above and under the section headed "Directors' Interests in Shares, Underlying Shares and Debentures", the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under section 336 of the SFO as at 30 June 2011.

Purchase, Sale or Redemption of Securities ►

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2011.

Confirmation on Independence ►

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and still considers such Directors to be independent.

Continuing Connected Transaction – Management Agreement of Phase III West with Nan Yue ►

On 24 May 2010, West Route JV, a company in which the HHI Group and West Route PRC Partner each holds 50% interest, entered into a management agreement with Nan Yue, a company incorporated in the PRC and its H shares are listed on the Stock Exchange, in relation to the management of the material-supply for the Phase III West (the "Phase III Management Agreement").

Pursuant to the Phase III Management Agreement, Nan Yue would provide to West Route JV the material logistics services, consisting of the planning, procurement and logistics management of the main construction materials for the Phase III West (the "Phase III Material Logistics Services"). The appointment is effective from the date of execution of such agreement and continues for three years or until the completion of the supply of the materials, payment of all material fees and after audit by the relevant departments of West Route JV, whichever is earlier. The appointment may be extended by mutual agreement. The Phase III Management Agreement will terminate after the end of the term of appointment of Nan Yue and the expiry of the warranty period (which is 24 months after the completion of the Phase III West). The service fee is 2.5% of the fee for the materials supplied for the Phase III West and shall be paid on a quarterly basis after deduction of the 5% assurance fee; such assurance fee shall be repayable without interest to Nan Yue upon completion of the term of the Phase III Management Agreement. The material shall be purchased by Nan Yue from the relevant material suppliers and supplied to the contractors appointed by West Route JV for the construction of the Phase III West (the "Phase III Construction Contractors"). The material fee shall be payable by the Phase III Construction Contractors to Nan Yue. In the event that the relevant material supplier shall fail to supply the materials on time, upon approval by West Route JV, Nan Yue shall take such actions as may be required (including using its own material stock or making purchase separately) to resume the supply of materials for the Phase III West.

Relevant details of the Phase III Management Agreement were disclosed in the announcement dated 24 May 2010 jointly made by the Company and HHI.

Pursuant to the Listing Agreement between HHI and the Stock Exchange and the letter dated 7 August 2003 from the Company to the Stock Exchange, West Route JV, being a Sino-foreign co-operative joint venture enterprise jointly controlled by the HHI Group and West Route PRC Partner, is deemed to be a subsidiary of HHI and the Company for the purposes of the then Chapter 14 of the Listing Rules (which has been subdivided into Chapters 14 and 14A since revisions of the Listing Rules came into effect on 31 March 2004).

West Route PRC Partner currently has a 50% interest in West Route JV and a 52% interest in Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (which is a Sino-foreign co-operative joint venture between West Route PRC Partner and a subsidiary of HHI). West Route PRC Partner is a state-owned enterprise wholly owned by and under the administration of GPCG, which is in turn a state-owned enterprise established by the Guangdong Provincial Government. Nan Yue is a subsidiary of GPCG and is accordingly deemed to be a connected person of HHI and the Company for the purposes of Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Phase III Management Agreement constitutes a continuing connected transaction of HHI and the Company under the Listing Rules.

The service fee paid and payable to Nan Yue for the Phase III Material Logistics Services provided during the year ended 30 June 2011 under the Phase III Management Agreement was approximately RMB6.9 million.

The Independent Non-executive Directors of the Company have reviewed and confirmed that the Phase III Material Logistics Services provided by Nan Yue for the financial year ended 30 June 2011 have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms; and in accordance with the Phase III Management Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the continuing connected transactions of the Group and the Group's jointly controlled entities in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and the auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the aforementioned continuing connected transactions of the Group in accordance with Rule 14A.38 of the Listing Rules.

Save as disclosed above, related party transactions that did not constitute connected transactions or continuing connected transactions made during the year are disclosed in note 42 to the consolidated financial statements.

Public Float ►

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Disclosure under Chapter 13 of the Listing Rules ▶

The Sino-foreign co-operative joint venture enterprises jointly controlled by the HHI Group and the PRC joint venture partners which operate toll expressways and infrastructure projects have, following the listing of HHI on the Stock Exchange in 2003, been deemed as subsidiaries of the Company for the purpose of the disclosure requirements under Chapter 13 of the Listing Rules. Accordingly, information on advances and financial assistance to such joint venture enterprises is no longer required under Rules 13.13, 13.16, 13.20 and 13.22 of the Listing Rules to be specifically disclosed in the annual report.

Change in Information of Directors ▶

As disclosed in the Interim Report for the six months period ended 31 December 2010, each of Mr. Guy Man Guy WU and Mr. Lee Yick NAM, Independent Non-Executive Directors of the Company, and Mr. Carmelo Ka Sze LEE, Non-Executive Director of the Company, being the members of a special task force formed during the year to review and opine on the findings of a consultancy firm engaged jointly by the Company and HHI to conduct a review of the management model of the corporate functions of HHI and the Group, are entitled to an extra emolument of HK\$10,000 for each special task force meeting attended. A total of 3 special task force meetings were held during the year ended 30 June 2011 and each of them was entitled to an extra emolument of HK\$30,000. Mr. Lee Yick NAM resigned as an Independent Non-Executive Director of the Company on 14 May 2011.

Save as disclosed above, upon confirmations obtained from Directors and specific enquiry made by the Company, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published Interim Report.

Auditor ▶

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Chairman

Hong Kong, 25 August 2011

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Deloitte.

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TO THE MEMBERS OF HOPEWELL HOLDINGS LIMITED ►

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hopewell Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 94 to 159, which comprise the consolidated and Company's statements of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements ►

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility ►

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion ►

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 August 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	NOTES	2010 HK\$'000 (restated)	2011 HK\$'000
Turnover	5	1,373,665	1,542,513
Cost of sales and services		(707,275)	(746,766)
Other income	6	666,390	795,747
Selling and distribution costs		(57,578)	(98,525)
Administrative expenses		(297,729)	(287,168)
Other expenses	7	(3,776)	(4,765)
Gain on disposal of investment properties		-	62,547
Gain arising from changes in fair value of investment properties under construction up to completion of development		2,238,253	-
Gain arising from changes in fair value of completed investment properties		1,548,465	4,395,010
Write back of warranty provision	40(a)	30,093	-
Finance costs	8	(35,182)	(79,145)
Share of profits of			
Jointly controlled entities	9	1,194,625	1,251,600
Associates		1,865	2,583
Profit before taxation	10	5,327,630	6,171,101
Income tax expense	11	(186,255)	(251,550)
Profit for the year		5,141,375	5,919,551
Other comprehensive income:			
Exchange differences arising on translation of financial statements of subsidiaries and jointly controlled entities		59,982	511,949
Gain arising from changes in fair value of other properties before reclassification to investment properties		-	45,049
Loss arising from changes in fair value of available-for-sale investments		(3,956)	(1,211)
Investment revaluation reserve reclassified to profit or loss on disposal of available-for-sale investments		(2,515)	(6,953)
Other comprehensive income for the year		53,511	548,834
Total comprehensive income for the year		5,194,886	6,468,385
Profit for the year attributable to:			
Owners of the Company		4,827,321	5,576,464
Non-controlling interests		314,054	343,087
		5,141,375	5,919,551
Total comprehensive income attributable to:			
Owners of the Company		4,867,025	5,994,610
Non-controlling interests		327,861	473,775
		5,194,886	6,468,385
		HK\$ (restated)	HK\$
Earnings per share	13		
Basic		5.50	6.36
Diluted		5.50	6.36

Consolidated Statement of Financial Position

At 30 June 2011

	NOTES	1.7.2009 HK\$'000 (restated)	30.6.2010 HK\$'000 (restated)	30.6.2011 HK\$'000
ASSETS				
Non-current Assets				
Investment properties	15	9,239,700	10,582,471	14,944,615
Property, plant and equipment	16	676,442	796,998	788,210
Properties under development	19	1,195,435	863,835	978,433
Interests in jointly controlled entities	20	6,704,998	7,038,032	8,282,037
Interests in associates	21	27,042	26,616	27,397
Loan receivable		3,064	2,327	1,303
Available-for-sale investments	22	33,318	26,847	3,197
Amounts due from jointly controlled entities	23	25,000	1,600,126	1,753,225
Bank deposits	24	-	-	589,960
		17,904,999	20,937,252	27,368,377
Current Assets				
Inventories	25	15,333	17,189	22,800
Stock of properties	26			
Under development		407,596	446,720	526,809
Completed		96,254	44,210	45,054
Trade and other receivables	27	29,111	174,217	366,157
Deposits and prepayments		51,183	39,901	62,715
Amounts due from jointly controlled entities	23	-	-	970,432
Bank balances and cash held by:	28			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		2,502,685	994,060	2,784,222
Hopewell Highway Infrastructure Limited and its subsidiaries ("HHI Group")		2,775,222	2,474,859	2,848,925
		5,877,384	4,191,156	7,627,114
Assets classified as held for sale (Broadwood Twelve)	15(c)	-	3,050,000	1,835,000
		5,877,384	7,241,156	9,462,114
Total Assets		23,782,383	28,178,408	36,830,491

Consolidated Statement of Financial Position

(continued)

At 30 June 2011

	NOTES	1.7.2009 HK\$'000 (restated)	30.6.2010 HK\$'000 (restated)	30.6.2011 HK\$'000
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	35	2,197,373	2,190,673	2,191,608
Share premium and reserves	36	18,098,461	22,019,695	27,155,678
Equity attributable to owners of the Company		20,295,834	24,210,368	29,347,286
Non-controlling interests		2,604,451	2,610,483	2,800,360
Total Equity		22,900,285	26,820,851	32,147,646
Non-current Liabilities				
Warranty provision	40(a)	84,059	53,966	53,966
Deferred tax liabilities	37	162,337	221,829	321,624
Amount due to a minority shareholder of a subsidiary	32	61,929	63,942	66,021
Corporate bonds	33	-	-	2,383,920
Bank borrowings	34	-	-	361,200
		308,325	339,737	3,186,731
Current Liabilities				
Trade and other payables	29	370,551	439,038	507,638
Rental and other deposits		156,290	478,453	220,054
Amounts due to associates	30	9,741	9,533	14,460
Amount due to a jointly controlled entity	30	2,243	4,700	6,848
Tax liabilities		34,948	62,495	114,169
Bank borrowings	34	-	-	604,700
		573,773	994,219	1,467,869
Liabilities associated with assets classified as held for sale	15(c)	-	23,601	28,245
		573,773	1,017,820	1,496,114
Total Liabilities		882,098	1,357,557	4,682,845
Total Equity and Liabilities		23,782,383	28,178,408	36,830,491

Thomas Jefferson WU
Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

Company Statement of Financial Position

At 30 June 2011

	NOTES	2010 HK\$'000	2011 HK\$'000
ASSETS			
Non-current Assets			
Investments in subsidiaries	17	1,048,982	1,100,764
Amounts due from subsidiaries	18	13,600,421	16,055,791
Investments in associates	21	5	5
Available-for-sale investments	22	3,197	3,197
		14,652,605	17,159,757
Current Assets			
Trade and other receivables		1,421	185
Deposits and prepayments		337	337
Amounts due from subsidiaries	31	1,281,551	435,887
Bank balances and cash	28	31,610	451,344
		1,314,919	887,753
Total Assets		15,967,524	18,047,510
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	35	2,190,673	2,191,608
Share premium and reserves	36	13,535,727	14,140,528
		15,726,400	16,332,136
Current Liabilities			
Trade and other payables		6,408	6,908
Amounts due to associates	30	9,533	14,460
Amounts due to subsidiaries	31	225,183	1,694,006
Total Liabilities		241,124	1,715,374
Total Equity and Liabilities		15,967,524	18,047,510

Thomas Jefferson WU
Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Attributable to owners of the Company											Attributable to non-controlling interests				
	Share capital HK\$'000	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	Shares held for share award scheme HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Share option reserve of HHI HK\$'000	Share of net assets of subsidiaries HK\$'000	Sub-total HK\$'000	Total HK\$'000
At 1 July 2009 (originally stated)	2,197,373	8,764,198	65,021	10,010	342,780	82,375	10,875	14,635	56,467	(2,178)	7,841,388	19,382,944	2,974	2,601,477	2,604,451	21,987,395
Effect of changes in accounting policies (note 2)	-	-	-	-	-	-	2,149	-	-	-	910,741	912,890	-	-	-	912,890
At 1 July 2009 (restated)	2,197,373	8,764,198	65,021	10,010	342,780	82,375	13,024	14,635	56,467	(2,178)	8,752,129	20,295,834	2,974	2,601,477	2,604,451	22,900,285
Profit for the year (restated)	-	-	-	-	-	-	-	-	-	-	4,827,321	4,827,321	-	314,054	314,054	5,141,375
Other comprehensive income (expense) for the year	-	-	-	-	46,175	-	-	(6,471)	-	-	-	39,704	-	13,807	13,807	53,511
Total comprehensive income (expense) for the year	-	-	-	-	46,175	-	-	(6,471)	-	-	4,827,321	4,867,025	-	327,861	327,861	5,194,886
Shares issued	389	3,842	-	-	-	-	-	-	(739)	-	-	3,492	-	-	-	3,492
Transaction costs attributable to issue of shares	-	(3)	-	-	-	-	-	-	-	-	-	(3)	-	-	-	(3)
Shares repurchased and cancelled	(7,089)	-	7,089	-	-	-	-	-	-	-	(63,952)	(63,952)	-	-	-	(63,952)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	12,931	-	-	12,931	98	42	140	13,071
Forfeiture of vested share options	-	-	-	-	-	-	-	-	-	-	54	54	(54)	-	(54)	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(321,915)	(321,915)	(321,915)
Dividends recognised as distribution during the year (note 12)	-	-	-	-	-	-	-	-	-	-	(905,013)	(905,013)	-	-	-	(905,013)
Transfers between reserves	-	-	-	-	-	15,064	-	-	-	-	(15,064)	-	-	-	-	-
At 30 June 2010 (restated)	2,190,673	8,768,037	72,110	10,010	388,955	97,439	13,024	8,164	68,659	(2,178)	12,595,475	24,210,368	3,018	2,607,465	2,610,483	26,820,851
Profit for the year	-	-	-	-	-	-	-	-	-	-	5,576,464	5,576,464	-	343,087	343,087	5,919,551
Other comprehensive income (expense) for the year	-	-	-	-	381,261	-	45,049	(8,164)	-	-	-	418,146	-	130,688	130,688	548,834
Total comprehensive income (expense) for the year	-	-	-	-	381,261	-	45,049	(8,164)	-	-	5,576,464	5,994,610	-	473,775	473,775	6,468,385
Shares issued	935	9,411	-	-	-	-	-	-	(2,086)	-	-	8,260	-	-	-	8,260
Transaction costs attributable to issue of shares	-	(8)	-	-	-	-	-	-	-	-	-	(8)	-	-	-	(8)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	1,709	-	-	1,709	114	48	162	1,871
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(284,060)	(284,060)	(284,060)
Dividends recognised as distribution during the year (note 12)	-	-	-	-	-	-	-	-	-	-	(867,653)	(867,653)	-	-	-	(867,653)
Transfers between reserves	-	-	-	-	-	8,369	-	-	-	-	(8,369)	-	-	-	-	-
At 30 June 2011	2,191,608	8,777,440	72,110	10,010	770,216	105,808	58,073	-	68,282	(2,178)	17,295,917	29,347,286	3,132	2,797,228	2,800,360	32,147,646

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	2010 HK\$'000 (restated)	2011 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	5,327,630	6,171,101
Adjustments for:		
Depreciation of property, plant and equipment	55,749	67,405
Finance costs	35,182	79,145
Gain arising from changes in fair value of completed investment properties	(1,548,465)	(4,395,010)
Gain arising from changes in fair value of investment properties under construction up to completion of development	(2,238,253)	-
Gain on disposal of an associate	(23)	-
Gain on disposal of available-for-sale investments	(2,515)	(6,953)
Gain on disposal of investment properties	-	(62,547)
Interest income	(13,252)	(106,027)
Loss on disposal of property, plant and equipment	75	278
Share-based payment expense	13,071	1,871
Share of profits of		
Jointly controlled entities	(1,194,625)	(1,251,600)
Associates	(1,865)	(2,583)
Write back of warranty provision	(30,093)	-
Operating cash flows before movements in working capital	402,616	495,080
Increase in inventories	(1,856)	(5,611)
Decrease (increase) in stock of properties	20,345	(58,339)
Increase in trade and other receivables, and deposits and prepayments	(3,569)	(24,394)
Increase (decrease) in trade and other payables, and rental and other deposits	360,763	(174,519)
Cash generated from operations	778,299	232,217
Tax paid		
Hong Kong Profits Tax	(25,529)	(33,140)
Taxation elsewhere	(79,446)	(80,020)
NET CASH FROM OPERATING ACTIVITIES	673,324	119,057

Consolidated Statement of Cash Flows

(continued)

For the year ended 30 June 2011

	2010 HK\$'000 (restated)	2011 HK\$'000
INVESTING ACTIVITIES		
Placement of bank deposits	-	(574,080)
Interest received	11,237	74,495
Dividends received	1,070,719	486,494
Additions to investment properties	(234,512)	(112,999)
Additions to property, plant and equipment	(65,086)	(76,288)
Additions to properties under development	(86,753)	(147,461)
Investments in jointly controlled entities	(247,036)	(355,000)
Acquisition of available-for-sale investments	(7,331)	-
Advances to jointly controlled entities:		
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV")	-	(608,735)
Heyuan Project	-	(361,697)
Lee Tung Street Project	(1,645,448)	(83,050)
Repayments to associates	(208)	(4)
Repayment from a jointly controlled entity	-	121
Net proceeds from disposal of investment properties	-	1,481,641
Net proceeds from disposal of property, plant and equipment	40	1,198
Proceeds from disposal of an associate	508	-
Proceeds from disposal of available-for-sale investments	9,846	22,439
NET CASH USED IN INVESTING ACTIVITIES	(1,194,024)	(252,926)
FINANCING ACTIVITIES		
Proceeds from issuance of corporate bonds	-	2,303,460
New bank borrowings raised	-	2,065,900
Repayment of bank borrowings	-	(1,100,000)
Dividends and distributions paid to		
Owners of the Company	(905,013)	(867,653)
Non-controlling interests	(321,915)	(284,060)
Net proceeds from issue of shares by the Company	3,489	8,252
Repurchase of shares	(63,952)	-
Advance from an associate	-	4,931
Advance from a jointly controlled entity	2,457	2,300
Loan arrangement fees and bank charges paid	(28,174)	(50,574)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,313,108)	2,082,556
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,833,808)	1,948,687
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	5,277,907	3,468,919
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	24,820	215,541
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	3,468,919	5,633,147

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 ("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.

The principal activities of the Company and its subsidiaries (collectively referred to as "the Group") are investments in toll roads 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 new and revised standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRSs (Amendments)	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8 as part of Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKAS 27 and HKFRS 3 as part of Improvements to HKFRSs issued in 2010
HK Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised standards and interpretations in the current year had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements and the Company's statement of financial position.

Amendments to HKAS 12 *Income Taxes*

Amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* have been applied in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The amendments have been applied retrospectively.

As a result of the amendments, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the end of the reporting period. Previously, deferred tax was provided for in respect of fair value changes of all investment properties on the basis that the carrying amounts of the properties are recovered through use. The financial effects are included in the table below.

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

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

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 July 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid land lease payment to property, plant and equipment and properties under development retrospectively. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Summary of the effects of restatements

The effects of the restatements on the Group's results for the current and prior year are as follows:

	2010 HK\$'000	2011 HK\$'000
Decrease in income tax expense and increase in profit for the year	604,504	527,899

The effects of the restatements on the consolidated statement of financial position of the Group as at 1 July 2009 and 30 June 2010 are as follows:

	As at 1.7.2009 (originally stated) HK\$'000	<i>Effects of the restatements of</i>		As at 1.7.2009 (restated) HK\$'000
		<i>Deferred taxation HK\$'000</i>	<i>Classification of leasehold land HK\$'000</i>	
Property, plant and equipment	570,037	-	106,405	676,442
Properties under development	381,783	-	813,652	1,195,435
Prepaid lease payments - non-current	909,485	-	(909,485)	-
Prepaid lease payments - current	10,572	-	(10,572)	-
Deferred tax liabilities	(1,075,227)	912,890	-	(162,337)
Total effects on net assets		912,890	-	
Retained profits	7,841,388	910,741	-	8,752,129
Property revaluation reserve	10,875	2,149	-	13,024
Total effects on equity		912,890	-	

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

Summary of the effects of restatements (continued)

	<i>As at 30.6.2010 (originally stated) HK\$'000</i>	<i>Effects of the restatements of Classification</i>		<i>As at 30.6.2010 (restated) HK\$'000</i>
		<i>Deferred taxation HK\$'000</i>	<i>of leasehold land HK\$'000</i>	
Property, plant and equipment	693,438	-	103,560	796,998
Properties under development	202,664	-	661,171	863,835
Prepaid lease payments - non-current	758,358	-	(758,358)	-
Prepaid lease payments - current	6,373	-	(6,373)	-
Deferred tax liabilities	(1,739,223)	1,517,394	-	(221,829)
Total effects on net assets		1,517,394	-	
Retained profits	11,080,230	1,515,245	-	12,595,475
Property revaluation reserve	10,875	2,149	-	13,024
Total effects on equity		1,517,394	-	

The effects of the restatements described above on the Group's basic and diluted earnings per share for the current and prior year are summarised below:

	<i>2010 HK\$</i>	<i>2011 HK\$</i>
Figures before adjustments	4.81	5.76
Adjustments arising from the restatements	0.69	0.60
Adjusted	5.50	6.36

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 24 (as revised in 2009)	Related Party Disclosures ³
HKAS 27 (as revised in 2011)	Separate Financial Instruments ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Instruments ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRSs (Amendments)	Amendments to HKAS 1, HKAS 34, HKFRS 1, HKFRS 7, and HK(IFRIC) - Int 13 as part of Improvements to HKFRSs issued in 2010 ³
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ³

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 July 2011.

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

Summary of the effects of restatements (continued)

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013 might affect the classification and measurement of the Group's available-for-sale investments.

HKFRS 10 *Consolidated Financial Instruments* replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including cases where an investor may control an investee with less than majority of voting rights. Overall, the application of HKFRS 10 requires extensive use of judgement.

HKFRS 11 *Joint Arrangements* replaced HKAS 31 *Interest in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly control operations.

The directors of the Company anticipate that the application of HKFRS 10, HKFRS 11 and other new and revised standards and interpretations will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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 Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of comprehensive income 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Investments in subsidiaries

In the Company's statement of financial position, 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, interests in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are 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 investments 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 and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interest in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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, interests in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. 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. Additional losses are 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 resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the Company's statement of financial position, investments in associates are stated at cost less any identified impairment loss.

Investment properties

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

Investment properties are initially 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 property are included in profit or loss for the period in which they arise.

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

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 disposals. 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 profit or loss in the period 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.

If an investment property becomes a stock of properties because its use has changed as evidenced by the commencement of development with a view to sale, 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 the lower of deemed cost, equivalent to the fair value at the date of transfer, and net realisable value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, including 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, if any.

Depreciation is recognised so as to write off the cost or deemed cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, from the date on which they become fully operational and after taking into account of their estimated residual value. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties under development

Properties under development classified as non-current assets include properties in the course of construction for future use in the production or supply of goods or services or for administrative purposes. Properties under development are carried at cost less any recognised impairment loss. The cost of properties comprises land cost, development expenditure, other directly attributable expenses and, where appropriate, borrowing costs capitalised.

Impairment

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 as an expense immediately.

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.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment properties which are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 or 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

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 to the net carrying amount on initial recognition.

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. Subsequent to initial recognition, loans and receivables (including loan receivable, amounts due from jointly controlled entities, bank deposits, 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 of financial assets below).

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.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of 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 the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. 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 asset, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 the 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, 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.

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 equity investments 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 other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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.

Where the shares of the Company are acquired under the share award schemes by the share award scheme trust, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for share award scheme" and deducted from total equity.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. 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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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.

Provisions

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

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 (where the effect is material).

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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

For interest in leasehold land that is accounted for as an operating lease whilst the building element is classifying as finance lease, interest in leasehold land is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment or properties under development, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 retranslation 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 rate of exchange prevailing at the end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Other than deferred tax liabilities related to investment properties which are presumed to be recovered from sale, the measurement of other deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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.

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 respective 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.

Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Hotel investment and management

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

Restaurant 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 recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

Dividend income

Dividend income from investments is 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 end of the reporting period, 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 judgements 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 recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 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 end of the reporting period 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 jointly controlled entities 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 profits of jointly controlled entities should there be a material change in the expected volume of production or useful life of the power plant.

5. TURNOVER AND SEGMENT INFORMATION

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

The Group is organised into certain business units according to the nature of goods sold or services provided. The Group determines its operating segments based on these units by reference to the goods sold or services provided, for the purpose of reporting to the chief operating decision maker.

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

5. TURNOVER AND SEGMENT INFORMATION (continued)

The Group's operating segments, based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, are as follows:

Property investment	-	development of investment properties, property letting, agency and management
Hotel operations, restaurant and catering	-	hotel ownership and management, restaurant operations and food catering
Property development	-	development and sale of stock of properties and investment properties held for sale
Toll road investment	-	investments in expressway projects
Power plant	-	power plant operation
Treasury income	-	interest income from bank deposits and amounts due from jointly controlled entities
Other operations	-	manufacture and sales of food, project management and consultancy service

Information regarding the above segments is reported below.

Segment revenue

	2010			2011		
	External HK\$'000	Inter-segment HK\$'000	Combined HK\$'000	External HK\$'000	Inter-segment HK\$'000	Combined HK\$'000
Property investment	602,779	48,571	651,350	649,699	58,940	708,639
Hotel operations, restaurant and catering	326,617	294	326,911	388,126	285	388,411
Property development	349,261	-	349,261	1,918,387	-	1,918,387
Toll road investment	1,939,557	-	1,939,557	2,274,571	-	2,274,571
Power plant	1,055,492	-	1,055,492	1,530,301	-	1,530,301
Treasury income	13,252	-	13,252	106,027	-	106,027
Other operations	95,008	18,909	113,917	105,591	19,884	125,475
Total segment revenue	4,381,966	67,774	4,449,740	6,972,702	79,109	7,051,811

Segment revenue includes the turnover, sale of investment properties held for sale and treasury income of the Group, and the Group's attributable share of revenue of jointly controlled entities engaged in toll road investment and power plant.

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

The total segment revenue can be reconciled to the turnover as presented in consolidated statement of comprehensive income as follows:

	2010 HK\$'000	2011 HK\$'000
Total segment revenue from external customers	4,381,966	6,972,702
Less:		
Sale of investment properties held for sale	-	(1,519,290)
Treasury income	(13,252)	(106,027)
Share of revenue of jointly controlled entities engaged in:		
Toll road investment	(1,939,557)	(2,274,571)
Power plant	(1,055,492)	(1,530,301)
Turnover as presented in consolidated statement of comprehensive income	1,373,665	1,542,513

Notes to the Consolidated Financial Statements

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For the year ended 30 June 2011

5. TURNOVER AND SEGMENT INFORMATION (continued)

Segment results

	2010				2011			
	<i>The Company and subsidiaries HK\$'000</i>	<i>Jointly controlled entities HK\$'000</i>	<i>Associates HK\$'000</i>	<i>Total HK\$'000</i>	<i>The Company and subsidiaries HK\$'000</i>	<i>Jointly controlled entities HK\$'000</i>	<i>Associates HK\$'000</i>	<i>Total HK\$'000</i>
Property investment	380,770	(205)	1,744	382,309	398,022	(141)	2,585	400,466
Hotel operations, restaurant and catering	54,517	-	-	54,517	94,013	-	-	94,013
Property development	105,615	-	-	105,615	183,653	(150)	-	183,503
Toll road investment	(46,037)	1,074,587	-	1,028,550	(64,027)	1,128,651	-	1,064,624
Power plant	(2,172)	120,638	-	118,466	(1,579)	125,008	-	123,429
Treasury income	13,252	-	-	13,252	106,027	-	-	106,027
Other operations	(31,097)	(395)	121	(31,371)	(3,489)	(1,768)	(2)	(5,259)
	474,848	1,194,625	1,865	1,671,338	712,620	1,251,600	2,583	1,966,803
Gain arising from changes in fair value of investment properties under construction up to completion of development	2,238,253	-	-	2,238,253	-	-	-	-
Total segment results	2,713,101	1,194,625	1,865	3,909,591	712,620	1,251,600	2,583	1,966,803

The gain arising from changes in fair value of investment properties under construction up to completion of development forms part of the segment result of property investment.

Segment results represent the profit earned by each segment without allocation of corporate general and administrative expenses, gain arising from changes in fair value of completed investment properties, write back of warranty provision, gain on disposal of available-for-sale investments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

	2010 HK\$'000	2011 HK\$'000
Segment results	3,909,591	1,966,803
Unallocated other income	2,538	22,351
Unallocated corporate expenses	(127,875)	(133,918)
	3,784,254	1,855,236
Gain arising from changes in fair value of completed investment properties	1,548,465	4,395,010
Write back of warranty provision	30,093	-
Finance costs	(35,182)	(79,145)
Profit before taxation	5,327,630	6,171,101

Notes to the Consolidated Financial Statements

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For the year ended 30 June 2011

5. TURNOVER AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

Segment assets and liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Geographical information

The Group's sale of investment properties held for sale, hotel operations, restaurant 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 roads and power plant investments are located in the PRC. The Group's segment revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	(Note (a))		(Note (b))	
	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(restated)	
Hong Kong	1,031,643	2,700,655	12,191,356	16,650,590
The PRC	3,350,323	4,272,047	51,948	60,668
	4,381,966	6,972,702	12,243,304	16,711,258

Notes:

- (a) Revenue from external customers include sale of investment properties held for sale, treasury income, and the Group's share of revenue of jointly controlled entities from Hong Kong and the PRC amounting to HK\$1,561,258,000 (2010: HK\$9,626,000) and HK\$3,868,931,000 (2010: HK\$2,998,675,000) respectively, which are excluded from the turnover as presented in consolidated statement of comprehensive income.
- (b) Non-current assets exclude financial instruments, interests in jointly controlled entities and interests in associates.

6. OTHER INCOME

	2010	2011
	HK\$'000	HK\$'000
Included in other income are:		
Interest income from bank deposits	13,252	95,302
Interest income from amounts due from jointly controlled entities	-	10,725
Gain on disposal of available-for-sale investments	2,515	6,953

7. OTHER EXPENSES

The other expenses represent charitable donations made by the Group.

8. FINANCE COSTS

	2010	2011
	HK\$'000	HK\$'000
Interests on:		
Corporate bonds	-	47,963
Bank borrowings wholly repayable within 5 years	-	2,144
Loan arrangement fees and others	35,182	29,038
	35,182	79,145

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

9. SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

	2010 HK\$'000	2011 HK\$'000
Share of profits of jointly controlled entities before amortisation of additional cost of investments in jointly controlled entities	1,280,745	1,344,536
Amortisation of additional cost of investments in jointly controlled entities	(86,120)	(92,936)
	1,194,625	1,251,600

10. PROFIT BEFORE TAXATION

	2010 HK\$'000 (restated)	2011 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	5,722	5,542
Depreciation of property, plant and equipment	55,749	67,405
Loss on disposal of property, plant and equipment	75	278
Rental expense in respect of properties under operating leases	1,276	1,445
Rental income from investment properties, less attributable outgoings of HK\$240,912,000 (2010: HK\$224,940,000)	(370,227)	(398,956)
Share of tax of associates (included in share of profits of associates)	371	511
Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities)	271,522	403,525
Staff costs (including Directors' emoluments)	325,682	357,447

11. INCOME TAX EXPENSE

	2010 HK\$'000 (restated)	2011 HK\$'000
Hong Kong Profits Tax		
Current year	18,726	54,277
Underprovision in respect of prior years	115	268
	18,841	54,545
Taxation elsewhere - current year		
PRC Enterprise Income Tax	81,363	69,034
PRC Land Appreciation Tax ("LAT")	26,559	38,423
	107,922	107,457
Deferred tax (note 37)	59,492	89,548
	186,255	251,550

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

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

11. INCOME TAX EXPENSE (continued)

PRC Enterprise Income Tax for the year includes PRC withholding tax on dividends declared during the year by the Group's jointly controlled entities amounting to approximately HK\$32 million (2010: HK\$60 million).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

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 statement of comprehensive income as follows:

	2010 HK\$'000 (restated)	2011 HK\$'000
Profit before taxation	5,327,630	6,171,101
Tax at Hong Kong Profits Tax rate of 16.5%	879,059	1,018,232
PRC LAT	26,559	38,423
Tax effect of PRC LAT	(6,640)	(9,606)
Tax effect of expenses not deductible for tax purposes	25,318	29,829
Tax effect of income not taxable for tax purposes	(619,500)	(714,099)
Tax effect of tax losses not recognised	11,721	14,327
Tax effect of utilisation of, and recognition of deferred tax on, tax losses not previously recognised	(3,890)	(6,361)
Tax effect of share of profits of jointly controlled entities and associates	(197,421)	(206,940)
Underprovision in respect of prior years	115	268
Effect of different tax rates of subsidiaries operating in other jurisdictions	7,237	14,478
Deferred tax on undistributed earnings of PRC subsidiaries and jointly controlled entities	63,858	71,249
Others	(161)	1,750
Income tax expense for the year	186,255	251,550

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

12. DIVIDENDS

	2010 HK\$'000	2011 HK\$'000
Dividends recognised as distribution during the year:		
Final dividend for the year ended 30 June 2010 of HK54 cents per share (2010: for the year ended 30 June 2009 of HK58 cents per share)	509,808	473,258
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (<i>note 35</i>)	(42)	(39)
	509,766	473,219
Interim dividend for the year ended 30 June 2011 of HK45 cents per share (2010: for the year ended 30 June 2010 of HK45 cents per share)	395,279	394,467
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (<i>note 35</i>)	(32)	(33)
	395,247	394,434
	905,013	867,653
Dividends proposed:		
Final dividend for the year ended 30 June 2011 of HK58 cents per share (2010: for the year ended 30 June 2010 of HK54 cents per share)	473,185	508,453
Special final dividend for the year ended 30 June 2011 of HK45 cents per share (2010: Nil)	-	394,489
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (<i>note 35</i>)	(39)	(74)
	473,146	902,868

The proposed final dividend and special final dividend of HK58 cents per share and HK45 cents per share respectively have been proposed by the Directors and are subject to approval by the shareholders in general meeting.

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

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

13. EARNINGS PER SHARE

	2010 HK\$'000 (restated)	2011 HK\$'000
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purpose of basic and diluted earnings per share	4,827,321	5,576,464
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	878,223,075	876,422,527
Effect of dilutive potential ordinary shares:		
Share options	273,450	490,568
Award shares	72,000	72,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	878,568,525	876,985,095

The weighted average number of ordinary shares shown above has been arrived at after deducting 72,000 shares (2010: 72,000 shares) held by HHL Employees' Share Award Scheme Trust as set out in note 35.

14. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

	<i>Year ended 30 June 2011</i>				<i>Total HK\$'000</i>
	<i>Directors' fees HK\$'000</i>	<i>Salaries, bonus and other benefits HK\$'000</i>	<i>Share-based payments HK\$'000</i>	<i>Contributions to provident fund schemes HK\$'000</i>	
Sir Gordon Ying Sheung WU	300	1,500	-	-	1,800
Mr. Eddie Ping Chang HO	250	1,119	-	-	1,369
Mr. Thomas Jefferson WU	200	3,000	-	12	3,212
Mr. Josiah Chin Lai KWOK	200	3,000	-	12	3,212
Mr. Henry Hin Moh LEE	200	1,000	-	-	1,200
Mr. Robert Van Jin NIEN	61	620	-	4	685
Mr. Guy Man Guy WU	200	30	-	-	230
Lady WU Ivy Sau Ping KWOK	200	-	-	-	200
Ms. Linda Lai Chuen LOKE	200	-	-	-	200
Mr. Albert Kam Yin YEUNG	200	3,120	-	12	3,332
Mr. Sunny TAN	121	-	-	-	121
Mr. Carmelo Ka Sze LEE	200	30	-	-	230
Mr. Eddie Wing Chuen HO Junior	200	819	-	12	1,031
Mr. Lee Yick NAM	174	30	-	-	204
Mr. William Wing Lam WONG	200	2,860	78	12	3,150
Ir. Leo Kwok Kee LEUNG	200	2,860	-	12	3,072
	3,106	19,988	78	76	23,248

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

14. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	Year ended 30 June 2010				
	Directors' fees HK\$'000	Salaries, bonus and other benefits 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	2,668	-	12	2,880
Mr. Josiah Chin Lai KWOK	200	3,000	-	12	3,212
Mr. Henry Hin Moh LEE	200	1,000	-	-	1,200
Mr. Robert Van Jin NIEN	200	1,730	-	12	1,942
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	2,208	-	12	2,420
Mr. Barry Chung Tat MOK	200	2,213	-	6	2,419
Mr. David Yau-gay LUI	200	-	-	-	200
Mr. Carmelo Ka Sze LEE	200	-	-	-	200
Mr. Eddie Wing Chuen HO Junior	200	819	-	12	1,031
Mr. Lee Yick NAM	200	-	-	-	200
Mr. William Wing Lam WONG	200	2,158	156	12	2,526
Ir. Leo Kwok Kee LEUNG	200	2,100	-	12	2,312
	3,550	20,488	156	90	24,284

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 2011				
	Directors' fees HK\$'000	Salaries, bonus and other benefits 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	2,000	-	12	2,212
Mr. Lee Yick NAM	174	-	-	-	174
	924	7,400	-	12	8,336

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

14. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (continued)

(a) Directors' emoluments (continued)

Year ended 30 June 2010

	Directors' fees HK\$'000	Salaries, bonus and other benefits 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	1,952	-	12	2,164
Mr. Barry Chung Tat MOK	100	-	-	-	100
Mr. Lee Yick NAM	200	-	-	-	200
	1,050	7,352	-	12	8,414

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

Year ended 30 June 2011

	Directors' fees HK\$'000	Salaries, bonus and other benefits 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	3,519	-	-	4,019
Mr. Thomas Jefferson WU	400	5,000	-	24	5,424
Mr. Josiah Chin Lai KWOK	200	3,000	-	12	3,212
Mr. Henry Hin Moh LEE	200	1,000	-	-	1,200
Mr. Robert Van Jin NIEN	61	620	-	4	685
Mr. Guy Man Guy WU	200	30	-	-	230
Lady WU Ivy Sau Ping KWOK	200	-	-	-	200
Ms. Linda Lai Chuen LOKE	200	-	-	-	200
Mr. Albert Kam Yin YEUNG	200	3,120	-	12	3,332
Mr. Sunny TAN	121	-	-	-	121
Mr. Carmelo Ka Sze LEE	200	30	-	-	230
Mr. Eddie Wing Chuen HO Junior	200	819	-	12	1,031
Mr. Lee Yick NAM	348	30	-	-	378
Mr. William Wing Lam WONG	200	2,860	78	12	3,150
Ir. Leo Kwok Kee LEUNG	200	2,860	-	12	3,072
	4,030	27,388	78	88	31,584

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

14. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	Year ended 30 June 2010				Total HK\$'000
	Directors' fees HK\$'000	Salaries, bonus and other benefits HK\$'000	Share-based payments HK\$'000	Contributions to provident fund schemes 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	4,620	-	24	5,044
Mr. Josiah Chin Lai KWOK	200	3,000	-	12	3,212
Mr. Henry Hin Moh LEE	200	1,000	-	-	1,200
Mr. Robert Van Jin NIEN	200	1,730	-	12	1,942
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	2,208	-	12	2,420
Mr. Barry Chung Tat MOK	300	2,213	-	6	2,519
Mr. David Yau-gay LUI	200	-	-	-	200
Mr. Carmelo Ka Sze LEE	200	-	-	-	200
Mr. Eddie Wing Chuen HO Junior	200	819	-	12	1,031
Mr. Lee Yick NAM	400	-	-	-	400
Mr. William Wing Lam WONG	200	2,158	156	12	2,526
Ir. Leo Kwok Kee LEUNG	200	2,100	-	12	2,312
	4,600	27,840	156	102	32,698

Ir. Leo Kwok Kee LEUNG was appointed as a non-executive director of the Company on 1 July 2009 and was also re-designated as an executive director with effect from 1 October 2009.

Mr. David Yau-gay LUI retired as an executive director of the Company with effect from 13 October 2009.

Mr. Barry Chung Tat MOK resigned as an executive director of the Company with effect from 31 December 2009.

Mr. Robert Van Jin NIEN retired as an executive director of the Company with effect from 20 October 2010.

Mr. Sunny TAN was appointed as an independent non-executive director of the Company with effect from 22 November 2010.

Mr. Lee Yick NAM resigned as an independent non-executive director of the Company with effect from 14 May 2011.

Other than fees and emoluments of HK\$929,000 (2010: HK\$800,000) paid or payable to the independent non-executive directors which have been included above, no other remuneration was paid or is payable to such directors.

No Directors waived any emoluments in both years ended 30 June 2011 and 30 June 2010.

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

14. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES (continued)

(b) Highest paid employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2010: five) were directors of the Company whose emoluments are disclosed above. The emoluments of the remaining one (2010: nil) individual was a director of the HHI Group whose emolument was as follows:

	2011 HK\$'000
Directors' fees	200
Salaries, bonus and other benefits	3,250
	3,450

15. INVESTMENT PROPERTIES

	The Group	
	2010 HK\$'000	2011 HK\$'000
Investment properties at fair value:		
At beginning of the year	9,239,700	13,632,471
Additions	265,081	105,340
Disposals of assets classified as held for sale	-	(1,476,997)
Reclassified from (to):		
Properties under development (<i>Note (b)</i>)	452,306	-
Property, plant and equipment	(111,334)	61,244
Gain on disposal of investment properties	-	62,547
Gain arising from changes in fair value of investment properties under construction up to completion of development (<i>Note (b)</i>)	2,238,253	-
Gain arising from changes in fair value of completed investment properties	1,548,465	4,395,010
At end of the year	13,632,471	16,779,615
Included in assets classified as held for sale (<i>Note (c)</i>)	(3,050,000)	(1,835,000)
	10,582,471	14,944,615

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

15. INVESTMENT PROPERTIES (continued)

The Group's investment properties comprise:

	2010 HK\$'000	2011 HK\$'000
Land and buildings in Hong Kong on		
Long leases	8,933,700	10,256,300
Medium-term leases	4,668,100	6,489,290
	13,601,800	16,745,590
Land and buildings in the PRC on medium-term leases	30,671	34,025
	13,632,471	16,779,615

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) On 1 July 2009, a property of the Group, namely Broadwood Twelve, was reclassified from properties under development with total carrying amounts of HK\$452 million to investment properties in accordance with Amendments to HKAS 40 *Investment Property*. The development of such property was completed during the year ended 30 June 2010. Gain arising from changes in fair value up to completion of development amounting to HK\$2,238 million had been recognised in profit or loss during the year ended 30 June 2010.
- (c) On 24 May 2010, the Group decided to sell Broadwood Twelve instead of holding them for rental as originally planned. The Group had initiated active marketing plan for sale of such properties. Accordingly, the Group had reclassified Broadwood Twelve as "Assets classified as held for sale" for the compliance of the relevant accounting standard, namely HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. After the reclassification, the measurement of Broadwood Twelve will continue to follow the fair value model in accordance with HKAS 40 *Investment Property*. Deposits received on the sale of such properties amounting to HK\$28,245,000 (2010: HK\$23,601,000) have been classified as "Liabilities associated with assets classified as held for sale" at the end of the reporting period.

During the year, gain on disposal of assets classified as held for sale amounting to HK\$63 million (2010: nil) has been recognised in profit or loss. Such gain is included in the segment of property development in note 5.

Sales of certain units at Broadwood Twelve have not been completed at the end of the reporting period. The Group remains committed to its plan to sell those units within the next financial year but it depends on market situation.

- (d) The fair value of the Group's investment properties at 30 June 2010 and 30 June 2011 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.

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

16. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings in Hong Kong</i>		<i>Other assets HK\$'000</i>	<i>Total HK\$'000</i>
	<i>Hotel property HK\$'000</i>	<i>Other properties HK\$'000</i>		
COST				
At 1 July 2009 (<i>originally stated</i>)	369,543	244,209	454,503	1,068,255
Effect of changes in accounting policies (<i>note 2</i>)	105,329	48,231	-	153,560
At 1 July 2009 (<i>restated</i>)	474,872	292,440	454,503	1,221,815
Additions	-	-	65,086	65,086
Transfer from investment properties	-	111,334	-	111,334
Disposals	-	-	(2,840)	(2,840)
At 30 June 2010 (<i>restated</i>)	474,872	403,774	516,749	1,395,395
Additions	-	-	76,288	76,288
Transfer to investment properties (<i>Note</i>)	-	(25,004)	-	(25,004)
Disposals	-	(948)	(10,491)	(11,439)
At 30 June 2011	474,872	377,822	582,546	1,435,240
DEPRECIATION				
At 1 July 2009 (<i>originally stated</i>)	133,037	52,866	312,315	498,218
Effect of changes in accounting policies (<i>note 2</i>)	33,856	13,299	-	47,155
At 1 July 2009 (<i>restated</i>)	166,893	66,165	312,315	545,373
Provided for the year	9,272	7,828	38,649	55,749
Eliminated on disposals	-	-	(2,725)	(2,725)
At 30 June 2010 (<i>restated</i>)	176,165	73,993	348,239	598,397
Provided for the year	9,272	11,774	46,359	67,405
Eliminated on reclassification (<i>Note</i>)	-	(8,809)	-	(8,809)
Eliminated on disposals	-	-	(9,963)	(9,963)
At 30 June 2011	185,437	76,958	384,635	647,030
CARRYING VALUES				
At 1 July 2009 (<i>restated</i>)	307,979	226,275	142,188	676,442
At 30 June 2010 (<i>restated</i>)	298,707	329,781	168,510	796,998
At 30 June 2011	289,435	300,864	197,911	788,210

Note: During the year, other properties with fair value of HK\$61,244,000 (2010: nil) was transferred from property, plant and equipment to investment properties.

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	1.7.2009	<i>The Group</i> 30.6.2010	30.6.2011
	HK\$'000 (restated)	HK\$'000 (restated)	HK\$'000
Hotel property on land under medium-term leases	307,979	298,707	289,435
Other properties on land under			
Long leases	94,578	201,828	198,560
Medium-term leases	131,697	127,953	102,304
	226,275	329,781	300,864

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 using the straight-line method, as follows:

<i>Category of assets</i>	<i>Estimated useful lives</i>
Land	Over the remaining term of the lease
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

17. INVESTMENTS IN SUBSIDIARIES

	<i>The Company</i> 2010	2011
	HK\$'000	HK\$'000
Unlisted shares, at cost less impairment	1,048,982	1,100,764

Particulars of the principal subsidiaries are set out in note 45.

18. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries classified under non-current assets are interest-free, unsecured and have no fixed repayment terms except for the aggregate principal amount of HK\$1,072 million (2010: HK\$1,072 million) which is repayable in 2013. In the opinion of the Directors, based on their assessment as at the end of the reporting period of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repayable within one year from the end of the reporting period, 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 1.2% to 2.0% (2010: 1.1% to 2.4%) per annum, representing the borrowing rates of the relevant subsidiaries.

Notes to the Consolidated Financial Statements

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For the year ended 30 June 2011

19. PROPERTIES UNDER DEVELOPMENT

	<i>The Group</i>	
	2010 HK\$'000 (restated)	2011 HK\$'000
COST		
At beginning of the year (<i>originally stated</i>)	381,783	202,664
Effect of changes in accounting policies (<i>note 2</i>)	813,652	661,171
At beginning of the year (<i>restated</i>)	1,195,435	863,835
Additions	120,706	114,598
Reclassified to investment properties (<i>note 15</i>)	(452,306)	-
At end of the year	863,835	978,433

Included in the cost of properties under development is net interest capitalised totalling HK\$31.2 million (2010: HK\$31.2 million).

All of the Group's properties under development are located on land under long leases in Hong Kong.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<i>The Group</i>	
	2010 HK\$'000	2011 HK\$'000
Expressway projects in the PRC		
Unlisted investments, at cost		
Registered capital contribution	1,426,065	1,781,065
Additional cost of investments	2,749,470	2,754,162
	4,175,535	4,535,227
Share of post-acquisition comprehensive income, net of dividends received	2,842,723	3,795,990
Less: Accumulated amortisation	(869,042)	(961,978)
	6,149,216	7,369,239
Power plant project in the PRC		
Unlisted investment, at cost		
Registered capital contribution	631,867	631,867
Share of post-acquisition comprehensive income, net of dividend received	152,381	247,533
	784,248	879,400
Other unlisted investments	104,568	33,398
	7,038,032	8,282,037

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Particulars of the Group's principal jointly controlled entities at 30 June 2010 and 30 June 2011 are as follows:

Name of company	Issued capital/ registered capital	Proportion of issued/ registered capital held by the Group		Principal activities
		2010	2011	
<i>Incorporated in Hong Kong:</i>				
Grand Site Development Limited	2 shares of HK\$1 each	50%	50%	Development and property investment
Hong Kong Bowling City Limited	10,250,000 "A" shares of HK\$1 each 10,250,000 "B" shares of HK\$1 each	50%	50%	Operation of a bowling center
<i>Established in the PRC:</i>				
Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV")	Nil (Note (a))	Not applicable	Not applicable	Development, operation and management of an expressway
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV")	RMB4,263,000,000	50%	50%	Development, operation and management of an expressway
SEC & Hopewell Power (Heyuan) Co., Ltd. ("Heyuan JV")	RMB1,560,000,000	40%	40%	Development and operation of a power plant
錦州合錦風電設備有限公司	RMB40,000,000	50%	50%	Manufacturing and sales of wind power equipment

Details of the principal jointly controlled entities at the end of the reporting period 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 had been repaid to the Group by GS Superhighway JV during the year ended 30 June 2008.

20. 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") and is scheduled to be built in three phases. The operation period for Phase I of Western Delta Route ("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, 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 initial 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 which had been contributed by the Group and the PRC joint venture partner of West Route JV in equal share.

On 2 September 2008, the Group entered into amendment agreements in relation to Phase II West with the PRC joint venture partner 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 these consolidated financial statements approved for issuance.

The currently planned total investment for the Phase III of Western Delta Route ("Phase III West") is RMB5,600 million, 35% of which 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 (i.e. each to contribute RMB980 million).

During the year ended 30 June 2011, the Group and the PRC joint venture partner made capital contributions to West Route JV in respect of Phase III West amounting to RMB300 million (2010: RMB196 million) and RMB300 million (2010: RMB196 million) respectively. As at 30 June 2011, the total capital contributions made to West Route JV in respect of Phase III West by the Group and the PRC partner amounting to RMB496 million (2010: RMB196 million) and RMB496 million (2010: RMB196 million) respectively.

During the year ended 30 June 2010, the expiration date of the joint venture operation period for West Route JV has been extended from 16 September 2038 to 16 September 2043. As at 30 June 2011, the approved registered capital of West Route JV was RMB4,263 million (2010: RMB4,263 million).

The Group is entitled to 50% of the distributable profits from the operation of West route JV. At the end of the joint venture operation periods of Phase I West, Phase II West and Phase III West, all the immovable assets and facilities of each phase will be reverted to the relevant PRC governmental authority which regulates transportation without compensation. The registered capital contributions are required to be repaid to both Group and PRC joint venture partner. The repayments are required to be approved by the board of directors of West Route JV.

(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, Heyuan 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 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.

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(continued)

For the year ended 30 June 2011

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

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:

	2010 HK\$'000	2011 HK\$'000
Current assets	2,361,230	2,994,614
Non-current assets	13,274,203	14,942,138
Current liabilities	(4,545,263)	(4,911,124)
Non-current liabilities	(6,195,714)	(6,890,104)
Income	4,807,024	5,826,299
Expenses	(3,374,983)	(4,220,729)
Other comprehensive income	26,449	353,225

21. INTERESTS IN ASSOCIATES

	<i>The Group</i>	
	2010 HK\$'000	2011 HK\$'000
Cost of investments, unlisted	5	5
Share of post-acquisition comprehensive income, net of dividends received	26,611	27,392
	26,616	27,397

	<i>The Company</i>	
	2010 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	5	5

Particulars regarding the principal associate at 30 June 2010 and 30 June 2011, which is incorporated and operating in Hong Kong, are as follows:

<i>Name of company</i>	<i>Proportion of nominal value of issued capital held by the Group</i>		<i>Principal activities</i>
	2010 %	2011 %	
Granlai Company Limited	46	46	Property investment

21. INTERESTS IN ASSOCIATES (continued)

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

	2010 HK\$'000	2011 HK\$'000
Total assets	65,513	67,575
Total liabilities	(8,613)	(8,975)
Net assets	56,900	58,600
Group's share of net assets of associates	26,616	27,397
Revenue	12,586	6,008
Profit for the year	4,335	5,622
Group's share of profits of associates for the year	1,865	2,583

22. AVAILABLE-FOR-SALE INVESTMENTS

	<i>The Group</i>	
	2010 HK\$'000	2011 HK\$'000
Equity securities listed outside Hong Kong, at fair value	23,650	-
Unlisted equity investments, at cost	3,197	3,197
	26,847	3,197
Market value of listed equity securities	23,650	-

	<i>The Company</i>	
	2010 HK\$'000	2011 HK\$'000
Unlisted equity investments, at cost	3,197	3,197

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.

23. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities classified as non-current assets at the end of the reporting period represent advances to the Lee Tung Street Project. The balances are unsecured, interest-free and have no fixed repayment terms.

The amounts due from jointly controlled entities classified as current assets at the end of the reporting period represent shareholders' loans to West Route JV in respect of Phase III West and Heyuan JV amounting to RMB500 million and RMB300 million respectively. The balances are unsecured, carry fixed interest rate ranged from 5.3% to 5.8% per annum, and repayable within one year after the end of the reporting period.

24. BANK DEPOSITS

The bank deposits of HK\$589,960,000 (2010: nil) are denominated in RMB and carry variable interest rates. The interest rates of the bank deposits for the year ended 30 June 2011 range from 3.25% to 4.15% (2010: nil) per annum and the contractual maturity of the bank deposits is two years from the placement.

Notes to the Consolidated Financial Statements

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For the year ended 30 June 2011

25. INVENTORIES

	<i>The Group</i>	
	2010 HK\$'000	2011 HK\$'000
Hotel and restaurant inventories	17,189	22,800

The cost of inventories recognised as an expense during the year amounted to HK\$138,289,000 (2010: HK\$128,941,000).

26. STOCK OF PROPERTIES

The cost of properties recognised as an expense during the year amounted to HK\$215,305,000 (2010: HK\$208,167,000).

At 30 June 2011, the stock of properties under development of HK\$349 million (2010: HK\$353 million) included in the consolidated statement of financial position are expected to be realised beyond one year from the end of the reporting period.

27. TRADE AND OTHER RECEIVABLES

Other than rentals receivable, which are payable upon presentation of invoices, the Group allows a 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 by age, presented based on the invoice date:

	<i>The Group</i>	
	2010 HK\$'000	2011 HK\$'000
Receivables aged		
0 - 30 days	27,104	24,082
31 - 60 days	7,960	6,786
Over 60 days	10,753	7,350
	45,817	38,218
Less: Allowance for doubtful debts	(1,310)	(1,430)
	44,507	36,788
Interest receivable	2,503	26,515
Dividend receivable from a jointly controlled entity	127,207	302,854
	174,217	366,157

The Group has provided for all trade receivables where, 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\$17,922,000 (2010: HK\$12,797,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

27. TRADE AND OTHER RECEIVABLES (continued)

Aging of trade receivables which are past due but not impaired:

	2010 HK\$'000	2011 HK\$'000
0 - 30 days	10,828	15,308
31 - 60 days	1,324	1,339
Over 60 days	645	1,275
Total	12,797	17,922

Movement in the allowance for doubtful debts:

	2010 HK\$'000	2011 HK\$'000
Balance at beginning of the year	751	1,310
Recognition of impairment losses	559	121
Amounts written off as uncollectible	-	(1)
Balance at end of the year	1,310	1,430

28. 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 0.01% to 3.46% (2010: 0.02% to 1.97%) per annum.

Included in the bank balances and cash are restricted bank deposits of HK\$304 million (2010: HK\$456 million) which can be applied in the construction and tax payments of designated property development projects in the ordinary course of business.

Included in bank balances and cash are bank deposits held by subsidiaries amounting to approximately RMB1,165 million (2010: nil), US\$1 million (2010: US\$2 million) and HK\$378 million (2010: HK\$2,217 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 0.01% to 1.78% (2010: 0.02% to 0.35%) per annum.

Included in bank balances and cash are bank deposit amounting to approximately RMB202 million (2010: nil) which was denominated in currency other than the functional currency of the Company.

Notes to the Consolidated Financial Statements

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For the year ended 30 June 2011

29. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables outstanding by age, presented based on the invoice date:

	The Group	
	2010	2011
	HK\$'000	HK\$'000
Payables aged		
0 - 30 days	149,957	161,395
31 - 60 days	9,604	17,823
Over 60 days	90,999	82,229
	250,560	261,447
Retentions payable	35,926	33,525
Accrued construction costs	130,819	155,418
Accrued staff costs	21,733	32,961
Accrued interest on bank borrowings	-	24,287
	439,038	507,638

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

Of the retentions payable, an amount of HK\$23,732,000 (2010: HK\$31,547,000) is due beyond twelve months from the end of the reporting period.

30. AMOUNTS DUE TO ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

The Group

The amounts due to associates and a jointly controlled entity are unsecured, interest-free and repayable on demand.

The Company

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

31. AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

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.

32. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is interest-free, unsecured and not expected to be repayable within one year after the end of the reporting period.

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 is 3.25%, representing the borrowing rate of the subsidiary.

33. CORPORATE BONDS

The corporate bonds are unsecured. The corporate bonds with principal amounts of RMB1,380,000,000 (approximately HK\$1,661,520,000) and RMB600,000,000 (approximately HK\$722,400,000) are due on 13 July 2012 and 18 May 2014, and carry interest at fixed rate of 2.98% and 1.55% per annum, respectively.

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For the year ended 30 June 2011

34. BANK BORROWINGS

	<i>The Group</i>	
	2010 HK\$'000	2011 HK\$'000
Bank borrowings, unsecured	-	965,900
Carrying amount repayable:		
Within one year	-	604,700
In the second to fifth years inclusive	-	361,200
	-	965,900
Less: Amounts due for settlement within one year under current liabilities	-	(604,700)
Amounts due for settlement after one year	-	361,200

Included in bank borrowings are approximately HK\$361 million which carry interest at fixed rates at 1.73% per annum, where the remaining HK\$605 million carry interest at floating rates ranged from 0.52% to 0.67% per annum.

The bank borrowings amounting to approximately RMB300 million (2010: nil) and HK\$25 million (2010: nil) held by subsidiaries are denominated in currencies other than the functional currencies of the respective subsidiaries.

35. SHARE CAPITAL

	<i>Number of shares</i>		<i>Nominal value</i>	
	2010 '000	2011 '000	2010 HK\$'000	2011 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	878,949	876,269	2,197,373	2,190,673
Issued during the year	156	374	389	935
Repurchased during the year	(2,836)	-	(7,089)	-
At end of the year	876,269	876,643	2,190,673	2,191,608

During the year ended 30 June 2011, the Company issued 238,500 and 135,600 ordinary shares at the subscription prices of HK\$22.44 each and HK\$21.45 each, respectively, for a total cash consideration of approximately HK\$8.3 million upon the exercise of the share options previously granted.

During the year ended 30 June 2010, the Company issued 155,600 ordinary shares at the subscription price of HK\$22.44 each for a total cash consideration of approximately HK\$3.5 million upon the exercise of the share options previously granted.

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

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

35. SHARE CAPITAL (continued)

During the year ended 30 June 2010, the Company repurchased 2,836,000 ordinary shares of the Company on the Stock Exchange, as follows:

Month	Number of ordinary shares repurchased '000	Purchase price per share Highest HK\$	Lowest HK\$	Total consideration paid (including transaction costs) HK\$'000
2010				
November 2009	663	24.45	24.00	16,087
December 2009	2	24.30	24.30	37
February 2010	42	22.40	22.40	943
March 2010	120	22.50	22.45	2,703
April 2010	536	23.45	23.10	12,524
May 2010	1,253	22.10	20.55	27,082
June 2010	220	20.90	20.55	4,576
	2,836			63,952

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 2011, the Company's 72,000 (2010: 72,000) issued shares with an aggregate nominal value of HK\$180,000 (2010: HK\$180,000) 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.

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 as income when received.

Notes to the Consolidated Financial Statements

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For the year ended 30 June 2011

35. SHARE CAPITAL (continued)

Share option schemes (continued)

(a) The Company (continued)

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\$	Outstanding at 1 July 2009	Movements during the year			At 30 June 2010		Weighted average share price at the date of exercise HK\$
			Granted	Exercised	Lapsed	Outstanding	Exercisable	
			Number of shares under options granted					
<i>Directors</i>								
10 October 2006	22.44	288,000	-	-	-	288,000	172,800	N/A
<i>Employees</i>								
10 October 2006	22.44	5,590,200	-	(155,600)	(161,800)	5,272,800	2,700,000	24.67
15 November 2007	36.10	5,072,000	-	-	(499,200)	4,572,800	1,932,800	N/A
24 July 2008	26.35	1,788,000	-	-	(400,000)	1,388,000	277,600	N/A
11 March 2009	21.45	1,760,000	-	-	(416,000)	1,344,000	268,800	N/A
		14,498,200	-	(155,600)	(1,477,000)	12,865,600	5,352,000	
Weighted average exercise price		HK\$27.58	N/A	HK\$22.44	HK\$27.84	HK\$27.61	HK\$27.53	

Date of grant	Subscription price per share HK\$	Outstanding at 1 July 2010	Movements during the year			At 30 June 2011		Weighted average share price at the date of exercise HK\$
			Granted	Exercised	Lapsed	Outstanding	Exercisable	
			Number of shares under options granted					
<i>Directors</i>								
10 October 2006	22.44	288,000	-	-	-	288,000	230,400	N/A
<i>Employees</i>								
10 October 2006	22.44	5,272,800	-	(238,500)	(73,900)	4,960,400	3,747,600	24.86
15 November 2007	36.10	4,572,800	-	-	(556,800)	4,016,000	2,409,600	N/A
24 July 2008	26.35	1,388,000	-	-	(320,000)	1,068,000	427,200	N/A
11 March 2009	21.45	1,344,000	-	(135,600)	(179,200)	1,029,200	376,400	24.44
		12,865,600	-	(374,100)	(1,129,900)	11,361,600	7,191,200	
Weighted average exercise price		HK\$27.61	N/A	HK\$22.08	HK\$30.12	HK\$27.55	HK\$27.20	

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

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

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:

<i>Date of Grant</i>	<i>Number of share options</i>	<i>Vesting period</i>	<i>Exercisable period</i>	<i>Exercise price per share HK\$</i>
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 profit or loss are based on valuation determined using the Binomial model. Share options granted were valued based on the following assumptions:

<i>Date of grant</i>	<i>Number of options granted</i>	<i>Fair value of options granted</i> HK\$	<i>Closing share price at date of grant</i> HK\$	<i>Exercise price</i> HK\$	<i>Expected volatility</i>	<i>Option life</i>	<i>Risk-free rate</i>	<i>Expected dividend yield</i>	<i>Suboptimal exercise factor</i>
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 total expense of HK\$1,709,000 for the year (2010: HK\$12,931,000) 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 as income when received.

Notes to the Consolidated Financial Statements

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For the year ended 30 June 2011

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\$	Outstanding at 1 July 2009	Movements during the year			At 30 June 2010		Weighted average share price at the date of exercise HK\$
			Granted	Exercised	Lapsed	Outstanding	Exercisable	
			Number of shares under options granted					
17 October 2006	5.858	4,440,000	-	-	-	4,440,000	2,664,000	N/A
19 November 2007	6.746	760,000	-	-	(400,000)	360,000	144,000	N/A
24 July 2008	5.800	400,000	-	-	-	400,000	80,000	N/A
		5,600,000	-	-	(400,000)	5,200,000	2,888,000	
Weighted average exercise price		HK\$5.974	N/A	N/A	HK\$6.746	HK\$5.915	HK\$5.901	

Date of grant	Subscription price per share HK\$	Outstanding at 1 July 2010	Movements during the year			At 30 June 2011		Weighted average share price at the date of exercise HK\$
			Granted	Exercised	Lapsed	Outstanding	Exercisable	
			Number of shares under options granted					
17 October 2006	5.858	4,440,000	-	-	(72,000)	4,368,000	3,552,000	N/A
19 November 2007	6.746	360,000	-	-	-	360,000	216,000	N/A
24 July 2008	5.800	400,000	-	-	-	400,000	160,000	N/A
		5,200,000	-	-	(72,000)	5,128,000	3,928,000	
Weighted average exercise price		HK\$5.915	N/A	N/A	HK\$5.858	HK\$5.916	HK\$5.905	

35. SHARE CAPITAL (continued)

Share option schemes (continued)

(b) HHI (continued)

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

<i>Date of Grant</i>	<i>Number of share options</i>	<i>Vesting period</i>	<i>Exercisable period</i>	<i>Exercise price per share HK\$</i>
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 400,000 share options with exercise price at HK\$4.470 per share granted in the financial year ended 30 June 2009 were lapsed in the same year. There was no financial impact to the consolidated financial statements of the Group for the year and no valuation on these share options was performed.

Notes to the Consolidated Financial Statements

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For the year ended 30 June 2011

35. SHARE CAPITAL (continued)

Share option schemes (continued)

(b) HHI (continued)

Share option expenses charged to profit or loss 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 value 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

Expected volatility was determined by using the historical volatility of the HHI's share price over the 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 total expense of HK\$162,000 for the year (2010: HK\$140,000) 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.

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.

(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.

No shares in HHI were awarded in both years presented.

36. SHARE PREMIUM AND RESERVES

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Share premium and capital redemption reserve

The application of share premium and capital redemption reserve is governed by Section 48B and Section 49H respectively of the Hong Kong Companies Ordinance.

36. SHARE PREMIUM AND RESERVES (continued)

The Group (continued)

Translation reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the translation reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in note 3.

PRC statutory reserves

Pursuant to the relevant laws and regulations, a portion of the profits of the Group's subsidiaries and jointly controlled entities which are established in the PRC are required to be transferred to the PRC statutory reserves.

Property revaluation reserve

Property revaluation reserve arises on the revaluation of other properties. Where other properties are reclassified to investment property, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant properties.

Investment revaluation reserve

Investment revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments have been disposed of or are determined to be impaired.

Share option reserve

The share option reserve comprises the fair value of share options granted and vested which are yet to be exercised. The reserve is dealt with in accordance with the accounting policy of equity-settled share-based payment transactions set out in note 3.

The Company

	Shares premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Shares held for share award scheme HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2009	8,764,198	65,021	9,872	56,467	(2,178)	2,225,922	11,119,302
Profit for the year and total comprehensive income for the year	-	-	-	-	-	3,362,270	3,362,270
Share issued	3,842	-	-	(739)	-	-	3,103
Transaction costs attributable to issue of shares	(3)	-	-	-	-	-	(3)
Shares repurchased and cancelled	-	7,089	-	-	-	(63,952)	(56,863)
Recognition of equity-settled share-based payments	-	-	-	12,931	-	-	12,931
Dividends recognised as distribution during the year (note 12)	-	-	-	-	-	(905,013)	(905,013)
At 30 June 2010	8,768,037	72,110	9,872	68,659	(2,178)	4,619,227	13,535,727
Profit for the year and total comprehensive income for the year	-	-	-	-	-	1,463,428	1,463,428
Shares issued	9,411	-	-	(2,086)	-	-	7,325
Transaction costs attributable to issue of shares	(8)	-	-	-	-	-	(8)
Recognition of equity-settled share-based payments	-	-	-	1,709	-	-	1,709
Dividends recognised as distribution during the year (note 12)	-	-	-	-	-	(867,653)	(867,653)
At 30 June 2011	8,777,440	72,110	9,872	68,282	(2,178)	5,215,002	14,140,528

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For the year ended 30 June 2011

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 years:

	<i>Accelerated tax depreciation</i> HK\$'000	<i>Fair value adjustments on investment properties</i> HK\$'000	<i>Arising from business combinations</i> HK\$'000 <i>(Note)</i>	<i>Undistributed earnings of PRC subsidiaries and jointly controlled entities</i> HK\$'000	<i>Tax losses</i> HK\$'000	<i>Others</i> HK\$'000	<i>Total</i> HK\$'000
At 1 July 2009 (<i>originally stated</i>)	205,248	684,752	225,989	124,033	(164,706)	(89)	1,075,227
Effect of changes in accounting policies (<i>note 2</i>)	-	(684,752)	(225,989)	-	-	(2,149)	(912,890)
At 1 July 2009 (<i>restated</i>)	205,248	-	-	124,033	(164,706)	(2,238)	162,337
Charge (credit) to profit or loss	25,706	19,800	-	3,588	10,577	(179)	59,492
At 30 June 2010	230,954	19,800	-	127,621	(154,129)	(2,417)	221,829
Exchange adjustments	-	-	-	10,247	-	-	10,247
Charge to profit or loss	28,072	16,030	-	38,974	5,750	722	89,548
At 30 June 2011	259,026	35,830	-	176,842	(148,379)	(1,695)	321,624

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 presentation in the consolidated statement of financial position.

At the end of the reporting period, the Group had available unused tax losses of HK\$1,542 million (2010: HK\$1,529 million) to offset against future profits. A deferred tax asset of HK\$148 million (2010: HK\$154 million) in respect of tax losses of HK\$897 million (2010: HK\$934 million) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$645 million (2010: HK\$595 million) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

38. PROJECT COMMITMENTS

(a) Expressway projects

As at 30 June 2011, the Group had agreed, subject to approval of relevant authorities, to make additional capital contributions of approximately RMB403 million (2010: RMB403 million) to a jointly controlled entity, West Route JV, for the development of Phase II West.

As at 30 June 2011, the Group had an outstanding commitment to make capital contributions of approximately RMB484 million (2010: RMB784 million) to West Route JV for the development of Phase III West.

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 III West contracted for but not provided totalled approximately HK\$1,099 million at 30 June 2011 (2010: HK\$1,331 million).

(b) Residential and commercial property project

The Group and a joint venture partner jointly hold and develop the Lee Tung Street Project in Wanchai through their respective shareholding of 50% in a joint venture company. At the end of the reporting period, the total commitment of the Group is expected to be approximately HK\$4.5 billion, representing 50% of the total budgeted development and related costs of the project. Up to the end of the reporting period, a total amount of approximately HK\$1.8 billion has been contributed by the Group to the joint venture company to finance the project development costs.

(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:

	2010 HK\$'000	2011 HK\$'000
Contracted for but not provided	36,629	38,449

(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 end of the reporting period, the Group has not incurred any material cost for this property project.

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For the year ended 30 June 2011

38. PROJECT COMMITMENTS (continued)

(e) Property development

	2010 HK\$'000	2011 HK\$'000
Authorised but not yet contracted for	384,881	479,275
Contracted for but not provided	296,515	678,524
	681,396	1,157,799

(f) Property renovation

	2010 HK\$'000	2011 HK\$'000
Contracted for but not provided	518	4,591

39. OPERATING LEASE COMMITMENTS

The Group as lessor

Rental income from investment properties earned during the year is approximately HK\$640 million (2010: HK\$595 million). At the end of the reporting period, the investment properties of the Group with an aggregate carrying amount of approximately HK\$13,778 million (2010: HK\$9,773 million) 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 end of the reporting period, the Group had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

	<i>The Group</i>	
	2010 HK\$'000	2011 HK\$'000
Within one year	364,493	371,217
In the second to fifth years inclusive	344,954	397,039
After five years	1,284	147,222
	710,731	915,478

40. 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.

During the year ended 30 June 2010, management conducted a review of the performance undertakings and indemnities given, resulted in a write back of the provision for a warranty against a potential claim not materialised amounting to HK\$30 million being recognised in the profit or loss.

The remaining balance of provision amounting to HK\$54 million 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 end of the reporting date and, accordingly, is classified as non-current.

(b) Guarantees

The Group

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\$384 million at 30 June 2011 (2010: HK\$370 million).

In the opinion of the directors of the Company, the fair values of such financial guarantee contracts are insignificant at initial recognition. Accordingly, no financial guarantee contract has been recognised in the consolidated statement of financial position.

The Company

At 30 June 2011, the credit facilities of the Company's subsidiaries to the aggregate extent of HK\$8,382 million (2010: HK\$13,365 million) are guaranteed by the Company. Such facilities were utilised to the extent of HK\$962 million (2010: HK\$13 million) at the end of the reporting period.

41. 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 profit or loss 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 profit or loss for the year of HK\$9,796,000 (2010: HK\$8,970,000) represent contributions paid or payable to the schemes by the Group in respect of the current accounting period. At the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

42. RELATED PARTY TRANSACTIONS

In addition to the 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\$41.4 million (2010: HK\$39.6 million), which comprises share-based payments of HK\$0.1 million (2010: HK\$0.1 million) and short term benefits of HK\$41.3 million (2010: HK\$39.5 million). Such remuneration is determined by the Board having regard to the performance of individuals and market trends.

43. 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 owners 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 as well as the issue of debts.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	<i>The Group</i>		<i>The Company</i>	
	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets:				
Loans and receivables at amortised cost (including cash and cash equivalents)	5,245,589	9,314,224	14,914,804	16,943,207
Available-for-sale investments	26,847	3,197	3,197	3,197
	5,272,436	9,317,421	14,918,001	16,946,404
Financial liabilities:				
Liabilities at amortised cost	270,555	3,656,696	241,124	1,715,374

44. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include loan receivable, available-for-sale investments, amounts due from jointly controlled entities, bank deposits, trade and other receivables, amounts due from subsidiaries, bank balances and cash, trade and other payables, amounts due to associates/subsidiaries/a jointly controlled entity/a minority shareholder of a subsidiary, bank borrowings and corporate bonds. 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 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 ("HKD"), Renminbi ("RMB") or United States dollars ("US dollars") which are currencies other than the functional currencies of the respective group entities. Besides, certain jointly controlled entities of the Group had outstanding bank borrowings denominated in HKD and US dollars that are not the functional currencies of those jointly controlled entities (i.e. RMB). The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

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

The Group

	Assets		Liabilities	
	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000
HKD	2,219,868	378,346	4,720	31,327
RMB	103	1,770,753	-	361,200
US dollars	16,737	5,513	-	326

The Company

	Assets		Liabilities	
	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000
RMB	93	243,765	-	-
US dollars	4	2	-	-

44. FINANCIAL INSTRUMENTS (continued)

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

Market risks (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis

As HKD 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 HKD. The sensitivity analysis below includes only currency risk related to RMB and HKD/US dollars denominated monetary items of group entities whose functional currencies are HKD and RMB respectively. The sensitivity analysis of the Company 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 end of the reporting period for a 5% (2010: 5%) change in foreign currency rates.

The Group

At the end of the reporting period, if the exchange rate of RMB against HKD had been strengthened/weakened by 5% (2010: 5%), the Group's profit before taxation (including the impact on the Group's shares of profits of jointly controlled entities) would increase/decrease by approximately HK\$159.7 million for the year ended 30 June 2011 (2010: increase/decrease by approximately HK\$5.7 million).

The Company

At the end of the reporting period, if the exchange rate of RMB against HKD had been strengthened/weakened by 5% (2010: 5%), the Company's profit before taxation would increase/decrease by approximately HK\$12.2 million for the year ended 30 June 2011 (2010: increase/decrease by approximately HK\$5,000).

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank deposits, amounts due from jointly controlled entities, bank borrowings and corporate bonds which are interest-free or carry fixed interest rates. 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 and bank borrowings at fixed interest rate.

The Group is exposed to cash flow interest rate risk in relation to certain bank deposits and bank borrowings which are subject to changes in prevailing floating interest rates. The Company is exposed to cash flow interest rate risk in relation 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

As the prevailing market interest rates are having limited fluctuation over the year, the directors of the Company are of the opinion that the Group's and the Company's exposures to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented.

(iii) Price risk

The Group is exposed to equity price risk in relation to its available-for-sale investments as at 30 June 2010 in respect of equity instruments quoted in well-established stock exchanges. The investments were disposal of during the year ended 30 June 2011.

Price risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk on listed equity investments as at 30 June 2010.

If the prices of the listed available-for-sale investments carried at fair value had been 10% higher/lower, the Group's investment revaluation reserve would increase/decrease by HK\$2.4 million for the year ended 30 June 2010.

44. 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 statements of financial positions and the amount of financial guarantees issued by the Group or the Company as disclosed in note 40(b).

The Group's credit risk is primarily attributable to its amounts due from jointly controlled entities, trade and other receivables, bank deposits and bank balances. In order to minimise the credit risk, 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 end of the reporting period 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.

The management of the Group is responsible to exercise joint control on the financial and operating activities of the jointly controlled entities with the joint venture partners to ensure the jointly controlled entities maintaining favorable financial position in order to reduce such credit risk.

Other than the amounts due from jointly controlled entities 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 reviews the recoverable amount of each individual amounts due from subsidiaries at the end of each reporting period 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 2011 amounted to HK\$35,334 million (2010: HK\$27,161 million) and HK\$7,966 million (2010 restated: HK\$6,223 million) respectively.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate 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 2011, the Group has unutilised syndicated loan facilities of HK\$6,420 million (2010: HK\$15,950 million) and other facilities of HK\$1,000 million (2010: HK\$1,002 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The financial guarantee contracts represent the maximum amount of the guarantee allocated to the earliest period in which the guarantee could be called.

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44. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity and interest risk tables

The Group

	Weighted average interest rate %	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 30.6.2011 HK\$'000
2011								
Trade and other payables	-	173,821	9,042	11,164	25,520	-	219,547	219,547
Rental and other deposits	-	12,467	9,115	54,112	91,649	255	167,598	167,598
Amounts due to associates	-	14,460	-	-	-	-	14,460	14,460
Amount due to a jointly controlled entity	-	6,848	-	-	-	-	6,848	6,848
Amount due to a minority shareholder of a subsidiary	-	-	-	-	31,474	47,495	78,969	66,021
Corporate bonds	1.55-2.98	-	10,312	50,565	2,406,758	-	2,467,635	2,383,920
Bank borrowings	0.52-1.73	604,700	1,038	5,191	370,997	-	981,926	965,900
Financial guarantee contracts (note 40(b))	-	384,443	-	-	-	-	384,443	-
		1,196,739	29,507	121,032	2,926,398	47,750	4,321,426	3,824,294

	Weighted average interest rate %	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 30.6.2010 HK\$'000
2010								
Trade and other payables	-	134,145	7,617	12,510	38,108	-	192,380	192,380
Rental and other deposits	-	8,011	7,419	41,429	78,165	1,260	136,284	136,284
Amounts due to associates	-	9,533	-	-	-	-	9,533	9,533
Amount due to a jointly controlled entity	-	4,700	-	-	-	-	4,700	4,700
Amount due to a minority shareholder of a subsidiary	-	-	-	-	-	78,969	78,969	63,942
Financial guarantee contracts (note 40(b))	-	369,769	-	-	-	-	369,769	-
		526,158	15,036	53,939	116,273	80,229	791,635	406,839

44. 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		Over 2 months but not more than		Over 5 years	Total undiscounted cash flows	Carrying amount at 30.6.2011
	1 month	1-2 months	1 year	1-5 years			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
2011							
Non-interest bearing							
Trade and other payables	6,908	-	-	-	-	6,908	6,908
Amounts due to associates	14,460	-	-	-	-	14,460	14,460
Amounts due to subsidiaries	1,694,006	-	-	-	-	1,694,006	1,694,006
	1,715,374	-	-	-	-	1,715,374	1,715,374

	Repayable on demand or less than		Over 2 months but not more than		Over 5 years	Total undiscounted cash flows	Carrying amount at 30.6.2010
	1 month	1-2 months	1 year	1-5 years			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
2010							
Non-interest bearing							
Trade and other payables	6,408	-	-	-	-	6,408	6,408
Amounts due to associates	9,533	-	-	-	-	9,533	9,533
Amounts due to subsidiaries	225,183	-	-	-	-	225,183	225,183
	241,124	-	-	-	-	241,124	241,124

(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; and
- the fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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.

Fair value measurements recognised in the consolidated statement of financial position

At 30 June 2011 and 30 June 2010, the Group had no Level 2 and Level 3 financial instruments, and the only Level 1 financial instrument represented the listed equity securities in available-for-sale investments (note 22), which were measured at fair value subsequent to initial recognition.

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45. PRINCIPAL SUBSIDIARIES

The following list contains only the details of the subsidiaries at 30 June 2010 and 30 June 2011 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 reporting period.

Name of company	Paid up issued/ registered capital	Proportion of nominal value of issued capital held by the Company				Principal activities
		Directly		Indirectly		
		2010 %	2011 %	2010 %	2011 %	
<i>Incorporated in Hong Kong:</i>						
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
Broadwood Twelve Management Limited	1 share of HK\$1 each	-	-	100	100	Property management
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	300,000 shares 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	-	-	70.27	70.27	Loan financing
Hopewell Centre Management Limited	209,200 shares of HK\$100 each	-	-	100	100	Property management
Hopewell China Development (Superhighway) Limited (i)	2 shares of HK\$1 each and 4 non-voting deferred shares of HK\$1 each	-	-	68.51	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

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For the year ended 30 June 2011

45. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Paid up issued/ registered capital	Proportion of nominal value of issued capital held by the Company				Principal activities
		Directly		Indirectly		
		2010 %	2011 %	2010 %	2011 %	
<i>Incorporated in Hong Kong: (continued)</i>						
Hopewell Guangzhou-Zhuhai Superhighway Development Limited (i)	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	-	-	70.27	70.27	Investment in expressway project
Hopewell 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 agency and investment holding
Hopewell Wind Power (Hong Kong) Limited	1 share of HK\$1 each	-	-	100	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
KITEC Management Limited (formerly known as HITEC Management Limited)	300,000 shares of HK\$1 each	-	-	100	100	Property management
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
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

Notes to the Consolidated Financial Statements

(continued)

For the year ended 30 June 2011

45. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Paid up issued/ registered capital	Proportion of nominal value of issued capital held by the Company				Principal activities
		Directly		Indirectly		
		2010 %	2011 %	2010 %	2011 %	
<i>Incorporated in Hong Kong: (continued)</i>						
Slipform Engineering Limited	1,000,001 shares of HK\$1 each	-	-	100	100	Construction, project consultant and investment holding
The Marquee Wedding Concept Company Limited	1 share of HK\$1 each	-	-	100	100	Provision of wedding and related services
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
<i>Established in the PRC:</i>						
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	RMB3,000,000 (registered capital)	-	-	76	91.84	Property management
廣州誠滿物業管理有限公司	RMB350,000,000 (registered capital)	-	-	100	100	Property management
<i>Incorporated in the British Virgin Islands:</i>						
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	100	Investment holding
Procelain Properties Ltd. (ii)	1 share of US\$1 each	-	-	100	100	Property investment
Singway (B.V.I.) Company Limited (ii)	1 share of US\$1 each	-	-	100	100	Property investment
Yeeko Investment Limited	1 share of US\$1 each	-	-	100	100	Investment holding

45. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Paid up issued/ registered capital	Proportion of nominal value of issued capital held by the Company				Principal activities
		Directly		Indirectly		
		2010 %	2011 %	2010 %	2011 %	
<i>Incorporated in the Cayman Islands:</i>						
Hopewell Highway Infrastructure Limited (iii)	2,961,690,283 shares of HK\$0.1 each	-	-	70.27	70.27	Investment holding

Notes:

- (i) Operating principally in the PRC
- (ii) Operating principally in Hong Kong
- (iii) Hopewell Highway Infrastructure Limited, a company listed on the 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.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 94 to 159 were approved and authorised for issue by the Board of Directors on 25 August 2011.

List of Major Properties

A. COMPLETED PROPERTIES

1) INVESTMENT PROPERTIES AND HOTEL PROPERTY (UNLESS OTHERWISE SPECIFIED, THESE PROPERTIES ARE HELD UNDER MEDIUM TERM LEASES):

Property	Location	Existing use	Site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)
Kowloonbay International Trade & Exhibition Centre <i>(formerly known as Hongkong International Trade & Exhibition Centre)</i>	1 Trademart Drive, Kowloon Bay, Kowloon	Conference, exhibition, restaurant, office, commercial and carparks	22,280	164,860*	100
Hopewell Centre <i>(Long-term lease)</i>	183 Queen's Road East, Wan Chai, Hong Kong	Commercial, office and carparks	5,207	78,102*	100
GardenEast <i>(Long-term lease)</i>	222 Queen's Road East, Wan Chai, Hong Kong	Residential and commercial use	1,082	8,972	100
QRE Plaza <i>(Long-term lease)</i>	202 Queen's Road East, Wan Chai, Hong Kong	Commercial use	464	7,157	100
Panda Hotel					
- Hotel property	3 Tsuen Wah Street, Tsuen Wan, New Territories	Hotel operation, commercial and carparks	5,750	40,855*	100
- Shopping arcade & carparks				<u>21,337*</u>	100
				<u>62,192*</u>	
Four commercial units, one restaurant and 80 carparking spaces at Wu Chung House	G/F-5/F, 213 Queen's Road East, Hong Kong	Commercial and carparks	N/A	1,642*	100

* Excluding carparking spaces.

2) STOCK OF PROPERTIES OR INVESTMENT PROPERTY HELD FOR SALE:

Property	Location	Existing use	Site area (sq.m.)	Gross floor area ⁽ⁱ⁾ (sq.m.)	Group's interest (%)
Hopewell New Town	Huadu district, Guangzhou, China	Residential, commercial, logistic and social facilities	610,200 ⁽ⁱⁱ⁾	13,913	95
Broadwood Twelve	12 Broadwood Road, Happy Valley, Hong Kong	Residential use	2,116	5,015	100

B. PROPERTIES AND STOCK OF PROPERTIES UNDER DEVELOPMENT:

Property/land	Location	Existing Use	Stage of completion	Expected completion date	Site area (sq.m.)	Gross floor area ⁽ⁱⁱⁱ⁾ (sq.m.)	Group's interest (%)
Hopewell New Town	Huadu district, Guangzhou, China	Residential, commercial, logistic and social facilities	Under planning stage	2020	610,200 ^{(ii) & (iv)}	894,000 ^(iv)	95
Lee Tung Street Project	Lee Tung Street/McGregor Street, Wan Chai, Hong Kong	Residential, commercial and other facilities	Under construction	2015	8,220	77,573	50
Hopewell Centre II	Ship Street, Kennedy Road, Hau Fung Lane, Wan Chai, Hong Kong	Hotel complex with recreation, shopping, restaurant and other commercial facilities	Under planning stage	2016	5,835.8 ^(v)	101,600 ^(vi)	100

Notes:

- (i) This represents gross floor area of unsold completed units.
- (ii) This site area covers all phases of development.
- (iii) This represents approximate gross floor area under present planning.
- (iv) These site area and gross floor area, being plot ratio gross floor area of the land, are based on land use rights certificates obtained and the latest master layout plan approved by the relevant government authority.
- (v) Total development site area of the land required for the property development is about 9,840 sq.m. of which a total of 5,835.8 sq.m. are held by the Group and the remaining will be acquired by the Group mainly by way of land exchange with the government at a premium yet to be finalised.
- (vi) The Group announced in November 2008 to reduce the gross floor area from the original plan of 164,091 sq.m. (as per the Town Planning Board Approval obtained in 1994) to about 101,600 sq.m..

Glossary

"Average Occupancy Rate"	the average of the Occupancy Rate as at the end of each month in the relevant period
"Board"	the Board of Directors of the Company
"CG Code"	the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules
"Coastal Expressway"	Guangzhou-Shenzhen Coastal Expressway
"Company" or "HHL"	Hopewell Holdings Limited
"Director(s)"	director(s) of the Company
"DPS"	dividend per share
"DTT"	Deloitte Touche Tohmatsu
"EBIT"	earnings before interest and tax
"EPS"	earnings per share
"FY07"	the financial year ended 30 June 2007
"FY08"	the financial year ended 30 June 2008
"FY09"	the financial year ended 30 June 2009
"FY10"	the financial year ended 30 June 2010
"FY11"	the financial year ended 30 June 2011
"FY12"	the financial year ending 30 June 2012
"FY13"	the financial year ending 30 June 2013
"FY14"	the financial year ending 30 June 2014
"FY15"	the financial year ending 30 June 2015
"F&B"	food and beverage
"GDP"	Gross Domestic Product
"GFA"	Gross floor area
"GPCG"	Guangdong Provincial Communication Group Company Limited 廣東省交通集團有限公司
"Group"	the Company and its subsidiaries
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"GS Superhighway JV"	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture company established for the GS Superhighway
"ESW Ring Road"	Guangzhou East-South-West Ring Road
"Heyuan Power Plant"	the ultra super-critical coal-fired power plant project located in Heyuan City, Guangdong Province
"HHI"	Hopewell Highway Infrastructure Limited
"HHI Award Scheme"	the share award scheme adopted by HHI on 25 January 2007
"HHI Board"	the board of directors of HHI
"HHI Group"	HHI and its subsidiaries
"HHI Shares"	ordinary shares of HK\$0.10 each in the capital of HHI
"HHL Award Scheme"	the share award scheme adopted by the Company on 25 January 2007
"HK\$" or "HKD"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of PRC
"Hong Kong Government"	the Government of Hong Kong

"HZM Bridge"	the Hong Kong-Zhuhai-Macau Bridge
"Interim Report"	the interim report of the Company for the six months ended 31 December 2010
"JCE/JCEs"	jointly controlled entity/entities
"JV"	Joint Venture
"KITEC F&B"	IT Catering & Services Limited, the food and beverage operations of the KITEC
"KITEC"	Kowloonbay International Trade and Exhibition Centre
"km"	kilometre
"Lady WU"	Lady WU Ivy Sau Ping KWOK
"Liede Company"	Guangzhou Liede Economic Company Limited
"Liede Project"	Liede Integrated Commercial (Operating Lease) Project
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of PRC
"MICE"	meeting, incentives, convention and exhibition
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MPF Schemes"	the mandatory provident fund schemes set up by the Group
"Nan Yue"	Guangdong Nan Yue Logistics Company Limited
"Occupancy rate"	the percentage of total area comprising those already leased and occupied by tenants, reserved for specific uses and those where in respect of which leases have been committed but not yet commenced over total lettable floor area
"Phase I West"	Phase I of Western Delta Route
"Phase II West"	Phase II of Western Delta Route
"Phase III West"	Phase III of Western Delta Route
"PRC" or "China"	the People's Republic of China
"PRD"	Pearl River Delta
"RMB"	Renminbi, the lawful currency of PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shenzhen Energy Group"	Shenzhen Energy Group Company Limited
"Sir Gordon WU"	Sir Gordon Ying Sheung WU
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"URA"	Urban Renewal Authority
"US" or "USA" or "United States"	the United States of America
"US\$" or "USD"	US Dollars, the lawful currency of USA
"West Route PRC Partner"	Guangdong Provincial Highway Construction Company Limited 廣東省公路建設有限公司
"West Route JV"	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the Western Delta Route
"Western Delta Route"	the route for a network of toll expressways comprising Phase I West, Phase II West and Phase III West
"YoY"	year-on-year

Board of Directors

Sir Gordon Ying Sheung WU ^{GBS, KCMG, FICE}

Chairman

Mr. Eddie Ping Chang HO

Vice Chairman

Mr. Thomas Jefferson WU*

Managing Director

Mr. Josiah Chin Lai KWOK

Deputy Managing Director

Mr. Henry Hin Moh LEE#

Mr. Guy Man Guy WU##

Lady WU Ivy Sau Ping KWOK JP#

Ms. Linda Lai Chuen LOKE##

Mr. Albert Kam Yin YEUNG

Mr. Carmelo Ka Sze LEE#

Mr. Eddie Wing Chuen HO Junior

Mr. William Wing Lam WONG

Ir. Leo Kwok Kee LEUNG

Mr. Sunny TAN##

* Also as Alternate Director to Sir Gordon Ying Sheung WU and Lady WU Ivy Sau Ping KWOK

Non-Executive Directors

Independent Non-Executive Directors

Audit Committee

Mr. Sunny TAN

Chairman

Ms. Linda Lai Chuen LOKE

Mr. Guy Man Guy WU

Remuneration Committee

Mr. Carmelo Ka Sze LEE

Chairman

Mr. Guy Man Guy WU

Ms. Linda Lai Chuen LOKE

Company Secretary

Mr. Richard Cho Wa LAW

Registered Office

64th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

Tel: (852) 2528 4975

Fax: (852) 2861 2068

Solicitors

Woo, Kwan, Lee & Lo

Auditor

Deloitte Touche Tohmatsu

Listing Information

The Stock Exchange of Hong Kong Limited

Ordinary Shares (Stock Code: 54)

Principal Bankers*

Agricultural Bank of China Limited

Bangkok Bank Public Co., Limited

Bank of China Limited

Bank of China (Hong Kong) Limited

Bank of Communications Co., Limited

The Bank of East Asia, Limited

The Bank of Tokyo-Mitsubishi UFJ, Limited

BNP Paribas

Credit Agricole Corporate and Investment Bank

China CITIC Bank Corporation Limited

China Construction Bank Corporation

China Development Bank

Principal Bankers* (continued)

China Merchants Bank Co., Limited
China Minsheng Banking Corporation Limited
Chong Hing Bank Limited
Citibank, N.A.
DBS Bank Limited
Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial Bank Co. Limited
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Limited
Nanyang Commercial Bank, Limited
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
Tai Fung Bank Limited
Wing Lung Bank Limited

+ names are in alphabetical order

Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2529 6087

American Depositary Receipt

CUSIP No.	439555301
Trading Symbol	HOWWY
ADR to share ratio	1:1
Depository Bank	Citibank, N.A., U.S.A.

Investor Relations

Investor Relations Manager
Tel: (852) 2863 4340
Fax: (852) 2861 2068
Email: ir@hopewellholdings.com

Website

www.hopewellholdings.com

Note: In the case of any inconsistency between the Chinese translation and the English text of this Annual Report, the English text shall prevail.

Financial Calendar

Interim results announcement	24 February 2011
Ex-dividend Date	9 March 2011
Closure of Register of Members	11 March 2011
Interim dividend paid <i>(HK45 cents per share)</i>	17 March 2011
Final results announcement	25 August 2011
Closure of Register of Members	13 October 2011 to 20 October 2011 (both days inclusive)
Annual General Meeting	20 October 2011
Ex-dividend Date	24 October 2011
Closure of Register of Members	26 October 2011
Proposed final dividend and special final dividend payable # <i>(HK58 cents and HK45 cents per share)</i>	2 November 2011

Subject to approval by shareholders at the Annual General Meeting to be held on 20 October 2011



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Prospering Towards Forty Years of Hopewell

In the 40-year history of the Group, we have grown from a construction company into property development and investment, highway infrastructure, power, hotel & hospitality and other businesses. The business development was inspired by the opportunities arising from the Open Door Policy of the PRC. We have many successful track records, including pioneering in the field of investment and construction of toll expressways and power plants in Mainland China.

