HOPEWELL HOLDINGS LIMITED

Stock Code: 54

ANNUAL REPORT 2012/13

Hopewell Holdings Limited, a Hong Kong-based group listed on the Stock Exchange since 1972 (stock code: 54). The Group has continuously grown and become one of the leading business conglomerates in Hong Kong.

The Group is actively engaged in property development and investment, highway infrastructure, power, hotel & hospitality and other businesses. While achieving substantial long term growth, the Group recognises the vital importance of promoting sustainable development. It devotes significant resources to enhance corporate governance, promote environmental protection, make community investment, instill best workplace practices and engage stakeholders.

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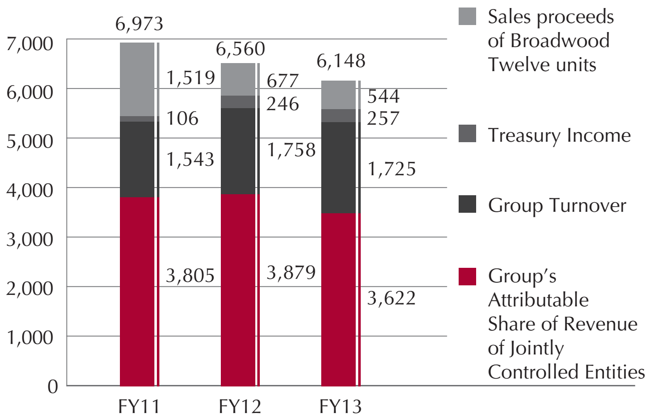
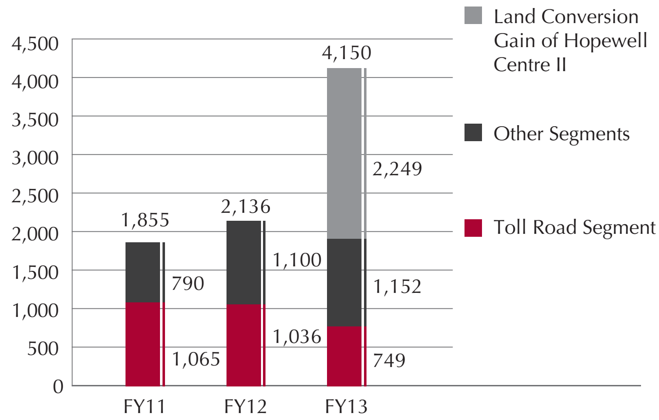
Financial Highlights

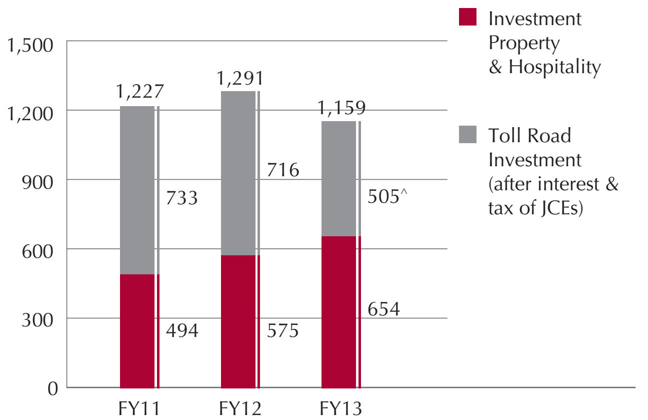
Revenue (HK$m)



Earnings before Interest and Tax (HK$m)



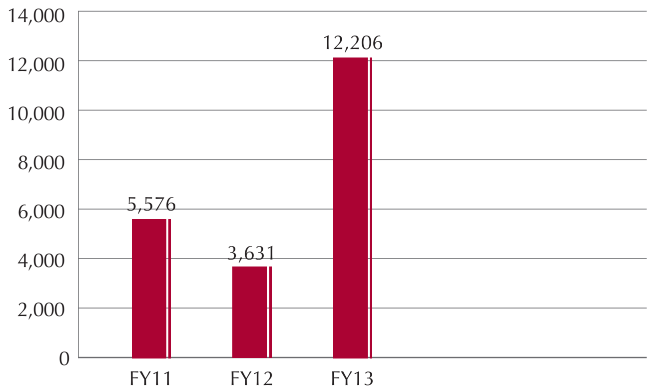
Operating Profit* from Prime-Earning Businesses (HK$m)



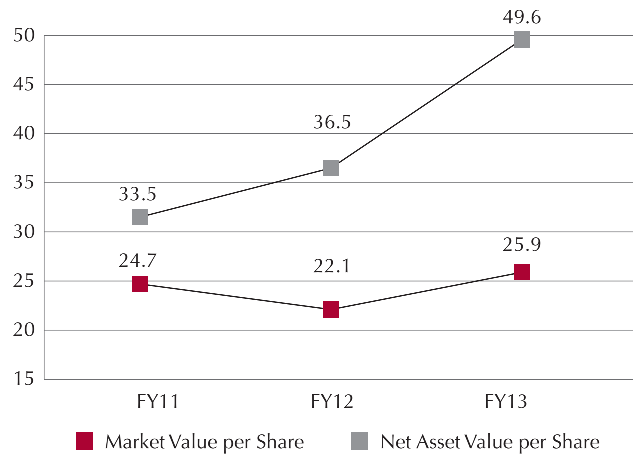
* Being the EBIT net of the proportional share by non-controlling interests

^ Tariff cut in Guangdong since 1 June 2012

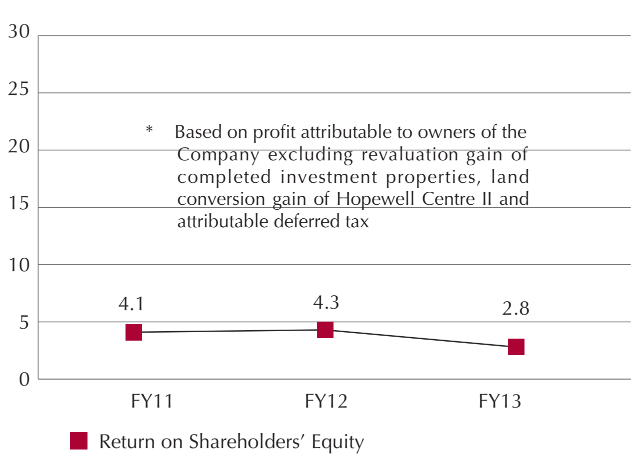
Profit Attributable to Owners of the Company (HK$m)



Net Asset vs Market Value per share (HK$)



Return on Shareholders' Equity*



5-Year Financial Summary

Consolidated Results (in HK$ million)

	Year ended 30 June				
	2009	2010	2011	2012	2013
Turnover	968	1,374	1,543	1,758	1,725
Earnings before interest and tax	1,901	3,784	1,855	2,136	4,150
Profit before taxation	2,219	5,328	6,171	4,328	12,768
Taxation	(103)	(187)	(252)	(365)	(295)
Profit before non-controlling interests	2,116	5,141	5,919	3,963	12,473
Non-controlling interests	(317)	(314)	(343)	(332)	(267)
Profit attributable to owners of the Company	**1,799**	**4,827**	**5,576**	**3,631**	**12,206**

Consolidated Statement of Financial Position (in HK$ million)

	As at 30 June				
	2009	2010	2011	2012	2013
Investment properties	9,240	10,582	14,945	17,429	26,320
Property, plant and equipment	676	797	788	716	686
Properties under/for development	1,196	864	978	1,171	7,393
Interests in JCEs	6,705	7,038	8,282	9,073	9,177
Amounts due from JCEs (non-current)	25	1,600	1,753	2,117	3,513
Other non-current assets	63	56	32	24	41
Properties held for sale (Hopewell New Town and Broadwood Twelve)	504	3,541	2,407	1,992	1,676
Amounts due from JCEs (current)	–	–	970	652	690
Bank balances and cash	5,278	3,469	6,223	7,976	5,357
Other current assets	95	231	452	491	551
Total assets	**23,782**	**28,178**	**36,830**	**41,641**	**55,404**
Corporate bonds and bank borrowings (non-current)	–	–	2,745	3,698	4,212
Other non-current liabilities	308	340	442	475	505
Corporate bonds and bank borrowings (current)	–	–	605	1,754	2,965
Other current liabilities	574	1,018	891	1,132	1,210
Total liabilities	**882**	**1,358**	**4,683**	**7,059**	**8,892**
Non-controlling interests	**2,604**	**2,610**	**2,800**	**2,784**	**3,269**
Shareholders' equity	**20,296**	**24,210**	**29,347**	**31,798**	**43,243**

Per Share Basis	2009	2010	2011	2012	2013
Basic earnings per share (HK cents)	204	550	636	415	1,397
Dividend per share (HK cents)	472	99	148	139	100
— Interim	40	45	45	45	45
— Final	58	54	58	54	55
— Special	374#	–	45	40	–
Net asset value per share (HK$)	23.1	27.6	33.5	36.5	49.6

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

Financial Ratios	2009	2010	2011	2012	2013
Net debt to shareholders' equity (excluding equity shared from HHI Group)	Net cash	Net cash	Net cash	Net cash	6%
Return on shareholders' equity*	7.8%	13.6%	4.1%	4.3%	2.8%
Dividend payout ratio*	57%$^{\Delta}$	30%	56%#	64%#	71%

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, land conversion gain of Hopewell Centre II and attributable deferred tax.
# Taking into account of net realised gain on property sale of Broadwood Twelve.

Chairman's Statement

I am pleased to report to shareholders that the Group achieved a record profit attributable to owners of the Company of HK$12,206 million for the financial year ended 30 June 2013. This was mainly due to a substantial increase of HK$8,725 million in the fair value on revaluation of completed investment properties for the year as compared to last year's figure of HK$2,264 million. With a land conversion gain on the commercial portion of Hopewell Centre II of HK$2,249 million, the Group's earnings before interest and tax (EBIT) were boosted to HK$4,150 million from HK$2,136 million last year, an increase of 94%. The Group's revenue for the year — including sales proceeds of investment properties held for sale (i.e. Broadwood Twelve), treasury income and the Group's attributable share of the revenues of JCEs engaged in toll roads and power plant operations — amounted to HK$6,148 million, which was about 6% less than the previous year's figure. Both the revenue and EBIT of the investment property operation grew satisfactorily, while those of the toll road operation fell, due to a tariff cut in Guangdong that took effect in June 2012, and those of the property development operation also shrank, due to fewer sales of residential units being recognised during the year. Consequently, the Group's basic earnings per share amounted to HK$13.97, a 237% increase on the previous year's HK$4.15.

Final Dividend

The Board has proposed a final dividend of HK55 cents per share for the year ended 30 June 2013. Together with an interim dividend of HK45 cents per share that has already been paid, the total dividends for the year will amount to HK100 cents per share. This represents a decrease of 28% on the last financial year's total dividends of HK139 cents per share, which included a special final dividend of HK40 cents per share. However, if excluding the special final dividend of the last financial year from the calculation, the Company's total dividends for the year under review will be 1% higher than that of the previous year. It also represents a payout ratio of 71% of the Company's profit attributable to owners of the Company, excluding the land conversion gain and fair value gain on completed investment properties.

Subject to shareholders' approval at the 2013 Annual General Meeting to be held on Monday, 21 October 2013, the proposed final dividend will be paid on Thursday, 31 October 2013 to shareholders who are registered at the close of business on Friday, 25 October 2013.

Closure of Register

To ascertain shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Friday, 25 October 2013, if and only if the proposed final dividend is approved by the shareholders at the 2013 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, all transfers of share ownership, accompanied by 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 Thursday, 24 October 2013.

To ascertain shareholders' eligibility to attend and vote at the 2013 Annual General Meeting to be held on Monday, 21 October 2013, the Register of Members of the Company will be closed from Tuesday, 15 October 2013 to Monday, 21 October 2013, 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 2013 Annual General Meeting, all transfers of share ownership, accompanied by 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 Friday, 11 October 2013.

Business Review

The low interest rate environment continued to support the global economic recovery and stabilise financial markets during the year under review. However, progress in restoring the global economy to sustainable growth remained slow. While the United States Federal Reserve announced a third round of quantitative easing measures in September 2012, it has recently started planning an exit strategy and it has signalled that it will discontinue such measures once the labour market has improved sufficiently. Nonetheless, a slow but steady improvement in the US labour and housing markets indicated an upturn in economic activity. In the Eurozone, the adverse economic effects of the financial crisis started to have a political impact on the ruling governments of certain countries. The crisis has become increasingly a social one, with record high unemployment rates in most affected countries.

The PRC's economy continued to be the main contributor to global GDP growth. Its own GDP grew by 7.6% year-on-year up to the second quarter of 2013, a similar figure to 2012. The Central Government persisted in its policies to stimulate domestic consumption, alleviate inflation, tighten market liquidity and bring property prices under control. The PRC's Central Bank adjusted its monetary policy slightly to support the country's economic growth during the year.

Hong Kong's economic fundamentals benefited from closer regional economic integration. They remained sound and Hong Kong continued to achieve real GDP growth. The unemployment rate stayed at a low level. Growth in the services sector supported demand for commercial property. Retail spending by local residents and mainland visitors continued to grow, which was beneficial to the retail property market. Business and leisure travel remained buoyant, and Hong Kong's hospitality industry again performed satisfactorily.

Investment Properties and Hospitality

The Group's investment properties and hotel continued to perform well, helped by its successful asset enhancement programmes, as well as the positive rental reversion or synergy of its property assets. Besides the high occupancy rates of the offices in the Group's flagship properties, their spot rental rates and average passing rental rates (i.e. the average rental rates of existing contracted tenancies) rose satisfactorily. The five-year compound annual growth rate of the Group's investment property revenue between FY09 and FY13 was 10%. Total revenue from investment properties and hospitality businesses grew by about 8% year-on-year to HK$1,260 million. This included a leap in rental revenue from investment properties of 13% year-on-year. The EBIT of these businesses amounted to HK$654 million during the financial year.

Hopewell Centre II

In July 2012, the Group was pleased to accept the Hong Kong Government's land premium offer of around HK$3,726 million for the exchange of land in respect of Hopewell Centre II ("Land Exchange"), and it took possession of the site of Hopewell Centre II in October 2012. This will be a 55-storey mixed-use development connected with Hopewell Centre. It will incorporate one of Hong Kong's largest hotels, in terms of its number of rooms, as well as comprehensive conference facilities. The fair value of the site of Hopewell Centre II is about HK$9.0 billion, as of 30 June 2013. After deducting the premium of about HK$3.7 billion, the value of the portion of the land already owned by the Group was HK$5.3 billion, compared to its book value stated at historical cost of around HK$500 million, as of 24 October 2012. The Land Exchange has therefore unlocked HK$4.8 billion of land value.

The Group is committed to the development of Wan Chai district, including the Ship Street and Kennedy Road area. The completion of the Land Exchange marked a significant milestone in its property projects and development activities there. The Group believes the successful Land Exchange represents a major step forward for its hospitality and convention and exhibition businesses.

Proposed Spin-off of Hopewell HK Properties

With a view to raising long-term capital, mainly to finance the Hopewell Centre II project, the Group submitted a proposal to spin-off its properties in Hong Kong and related businesses to the Stock Exchange in January 2013. In February 2013, the Stock Exchange granted its approval for the Company to proceed with the proposed spin-off and a separate listing of Hopewell HK Properties on the Main Board of the Stock Exchange ("Proposed Spin-off"). A resolution to approve and implement the Proposed Spin-off was duly passed, among others, at the extraordinary general meeting held on 23 May 2013.

However, due to a significant deterioration in market sentiment and volatile market conditions, the Company announced on 13 June 2013 that it would not be advisable for the Company and Hopewell HK Properties to proceed with a global offering, including preferential offerings. The Proposed Spin-off therefore did not proceed as originally scheduled.

Infrastructure

During the year under review, the aggregate average daily traffic volume on the GS Superhighway and the Western Delta Route increased by about 12% to 561,000 vehicles year-on-year, while their aggregate average daily toll revenue decreased by about 6% to RMB10.7 million. The overall toll revenue of the two expressways decreased from RMB4,163 million to RMB3,844 million during the year, mainly due to the fall in the toll revenue of the GS Superhighway. However, the impact of the Tariff Proposal on the GS Superhighway stabilised within two months since its implementation. After an initial drop, the average daily toll revenue picked up from RMB8.3 million in June 2012 to around RMB9 million in June 2013, despite the subsequent implementation of Holiday Toll-free Policy. In June 2013, a year after the Tariff Proposal and Holiday Toll-free Policy's implementation, both the average daily toll revenue and average daily traffic volume of the GS Superhighway started to grow again by 8% year-on-year. On the other hand, not only Holiday Toll-free Policy had slight impact on Phase I West and Phase II West, the Tariff Proposal's impact was insignificant as both of them have been implementing the new tariff since they opened.

Corporate Sustainability

The Group believes that promoting sustainability is as important as achieving long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainability in its operations in Hong Kong and the PRC. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders. The Group has established an independently-reviewed stakeholder engagement process and a Sustainability Steering Committee to strengthen its management's efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practices.

To demonstrate its commitment to transparency and accountability to its stakeholders, the Company will this year continue to issue an independently verified Sustainability Report under the Global Reporting Initiative (GRI) Sustainability Reporting Framework. The report will present its company-wide commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impact arising from the activities of the Group and its JCEs.

Prospects

The economic outlook of mature economies, particularly those in the Eurozone, remains bleak. While the US economy shows some positive signs of revival, the long-term deficit issue has yet to be resolved. The US Federal Reserve may choose to raise interest rates slowly or control credit growth, risk-taking and leverage through regulatory measures, in order to provide economic stability and prevent financial instability. According to the media, the PRC Central Government is targeting GDP growth of more than 7% in 2013, with a view to maintaining the labour market's stability. Its macro economy will therefore show steady growth in 2013, notwithstanding the continuation of tight measures to curb speculative and investment demand in the housing market. The PRC's Central Bank will support the country's economic growth by continuing to adjust its monetary policy from time to time.

Hong Kong's economy is expected to remain steady. The decentralisation and spill-over effect will continue in its office market. Its retail property market will continue to grow with the support of local consumers and visitors from the Mainland China. On the other hand, the Hong Kong hospitality industry is expected to perform well as business and leisure travel continues to increase in the Greater China region.

The recently introduced stamp duties are expected to limit the volume of residential property market transactions. However, the tight supply of new residential properties is expected to keep transaction prices steady in the near term.

On the transportation front, the opening of Phase III West has marked the completion of the entire Western Delta Route. This has now become the main artery of a regional expressway network that covers the most prosperous cities on the western bank of the Pearl River Delta (PRD), including Guangzhou, Foshan, Zhongshan and Zhuhai, and reduces the travelling time between them. It will also offer direct access to the Hengqin State-level Strategic New Zone, Macau and Hong Kong via its connection with the HZM Bridge, which media reports say is scheduled to open by the end of 2016. The urbanisation of cities in the western PRD region will accelerate, creating economic growth that will benefit the HHI Group.

To increase its competitive edge and achieve sustainable growth, the Group will maintain proactive management and asset enhancement strategies for its property portfolio. All the efforts it is making to upgrade its properties — such as the refurbishment of the office and communal areas of Hopewell Centre, the on-going renovation of guestrooms and the upgrading of facilities at the Panda Hotel, the proposed "E-Max II" refurbishment plan — will strengthen its image as a landlord of premium properties in Hong Kong. In addition, the Group is currently studying the redevelopment plan of KITEC.

The new projects in the pipeline, namely Hopewell Centre II and the 200 Queen's Road East Project, will both complement and generate synergies with the Group's existing properties in Wan Chai by bringing in new residents, workers and visitors. Hopewell Centre II is set to become one of Hong Kong's largest hotels with comprehensive conference facilities. It will capitalise on the opportunities created by the current lack of conference venues, the limited supply of large-scale and high-end hotels, and the shortage of performance venues. The pre-sale of residential units at the 200 Queen's Road East Project is planned to commence during the second half of 2013. The Group expects that its properties will form one of Wan Chai's largest retail clusters once the retail portion of the 200 Queen's Road East Project and Hopewell Centre II have been completed. Furthermore, the Group will study the development of the site consisting of the properties at 155-167 Queen's Road East once it completes the acquisition of the remaining interest in them.

Changes of Directors and Committee Members

Mr. Ahito NAKAMURA has been appointed as an Independent Non-Executive Director with effect from 17 December 2012. I would like to express the Board's warm welcome to Mr. NAKAMURA in joining the Board.

Dr. Gordon YEN has been appointed as the Chairman of the Company's Remuneration Committee in place of Ms. Linda Lai Chuen LOKE with effect from 1 February 2013. Ms. LOKE remains as a member of the Remuneration Committee of the Company.

Mr. Eddie Wing Chuen HO Junior resigned as an Executive Director with effect from 30 June 2013. I would like to take this opportunity to thank Mr. HO for his 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 indispensible 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, 20 August 2013

Awards & Recognition

1. 10/2012

2012 International Galaxy Awards

The Sustainability Report of HHL won silver award in the Websites: Sustainability Report category of the Galaxy Awards 2012. This prestigious award honours the outstanding achievements of HHL in marketing communication and emphasis on sustainable development.

2. 12/2012

Best Small-Cap Equity Deal

Hopewell Highway Infrastructure Limited launched both RMB-traded shares and HKD-traded shares under the "Dual Tranche, Dual Counter" model. This move of the company set a benchmark in the market which received the Best Small-Cap Equity Deal award by FinanceAsia.

3. 1/2013

Low-carbon Office Operation Programme (LOOP) Silver Label

HHL participated in the Low-carbon Office Operation Programme (LOOP) 2012 organized by WWF Hong Kong and won LOOP Silver Label. It affirms the efforts of HHL in the creation and implementation of actions to combat climate change by reducing office operation-related greenhouse gas emissions.

4. 1/2013

First Runner-up of Most Significant Fuel Consumption Saver, Gold Award of Fuel Saving Percentage Improvement and Silver Award of Fuel Efficiency Percentage Improvement

HHL was awarded first runner-up of Most Significant Fuel Consumption Saver, gold award of Fuel Saving Percentage Improvement and silver award of Fuel Efficiency Percentage Improvement in the Take a "Brake" Low Carbon Action campaign — Corporate Green Driving Award Scheme 2012 which was jointly organized by Friends of the Earth (HK), Green Power and WWF Hong Kong. It represents a recognition of HHL's contributions in creating a low carbon environment and building a greener future for Hong Kong.

5. 3/2013

3rd Asian Excellence Recognition Awards 2013 & Asia's Best CEO (Investor Relations)

HHL has received Best IR (Best Investor Relations) and Best CSR (Best Corporate Social Responsibility) awards for the third consecutive year at the 3rd Asian Excellence Recognition Awards 2013, organized by Corporate Governance Asia. It proves that the Group has continuously striven for excellence in investor relations and corporate social responsibility. Mr. Thomas Jefferson WU, Managing Director of HHL has also been honored as Asia's Best CEO (Investor Relations) in Hong Kong, which is a recognition of his managing achievements.

6. 4/2013

Manpower Developer Award Scheme

HHL was presented Certificate of Appreciation by ERB Manpower Developer Award Scheme. It is a recognition to the Group's ongoing efforts in manpower training and development and emphasis on employees' personal enhancement.

7. 6/2013

Asia's Icon on Corporate Governance & Asian Corporate Director Recognition Awards

HHL won Asia's Icon on Corporate Governance in the 9th Corporate Governance Asia Recognition Awards, and Mr. Thomas Jefferson WU, the Managing Director of HHL, was honored with Asian Corporate Director Recognition Awards organized by Corporate Governance Asia. The Group demonstrated remarkable achievements on upholding best corporate governance practices have been recognized.

8. 6/2013

Community Chest President's Award

HHL received President's Award at the 2012/2013 Annual Presentation of Awards Ceremony, organized by the Community Chest. This award serves as a recognition on the long term commitment and contribution of HHL to the Community Chest.

9. 8/2013

Caring Organisation for Retired Athletes Certificate

HHL was awarded Caring Organization for Retired Athletes certificate by Sports Federation & Olympic Committee of Hong Kong, China, in recognition of the Group's support of Hong Kong Athletes Career & Education Programme and assistance on the career development of retired athletes.

10. 8/2013

Hang Seng Corporate Sustainability Index

HHL was selected as constituent stock of Hang Seng Corporate Sustainability Index, and HHL and Hopewell Highway Infrastructure Limited were selected as constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index for the third consecutive year. These honours reflect the Group's strong performance on corporate sustainability.

Profile of Directors

Executive Directors

Sir Gordon Ying Sheung WU GBS, KCMG, FICE

Aged 77, 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.

In 1958, he graduated from Princeton University with a Bachelor of Science degree in engineering, and as one of the founders of the Company, he was the Managing Director from 1972 to 2001 before becoming the Chairman of the Board. His responsibilities have included the Company's infrastructure projects in the PRC and South-East Asia, and he has been involved in designing and constructing 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, as well as set a world record for 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.

He is very active in civic activities and community service. His civic and community positions include:

In the PRC

Council Member	United Nations Association of China
Advisor	China Development Bank

In Hong Kong

Vice President	The Real Estate Developers Association of Hong Kong

He was a Member of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") from 1983 to 2013 and a Vice Chairman of the Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese (Special committee of CPPCC) from 2003 to 2013.

Sir Gordon WU is a Fellow of several professional bodies, including:

- Institution of Civil Engineers, United Kingdom (Honorary Fellow)
- The Hong Kong Institution of Engineers (Fellow)
- Hong Kong Academy of Engineering Sciences (Fellow)

He also received Honorary Doctorate Degrees from the following universities:

- The Hong Kong Polytechnic University, Hong Kong (Honorary Doctor of Engineering)
- University of Strathclyde, United Kingdom (Honorary Doctor of Business Administration)
- The University of Edinburgh, United Kingdom (Honorary Doctorem honoris causa)
- Lingnan University, Hong Kong (Honorary Doctor of Laws)

- City University of Hong Kong, Hong Kong (Honorary Doctor of Social Science)
- Macau University of Science & Technology (Honorary Doctor of Business Administration)
- University of Manitoba, Canada (Honorary Degree of Doctor of Laws)

His additional awards and honours include:

Awards and Honours	Year Awarded
The Lifetime Achievement Award of the 9th Asia Business Leaders Award by CNBC	2010
Officer de L'Ordre de la Couronne by HM Albert II, King of Belgium	2007
The Order of Croatian Danica with figure of Blaz Lorkovic by the Republic of Croatia	2007
Gold Bauhinia Star (G.B.S.) by the Hong Kong SAR	2004
Leader of the Year 2003 (Business/Finance) by Sing Tao Newspaper Group	2004
Personality of the Year 2003 by the Asian Freight & Supply Chain Awards	2003
Honorary Consul of The Republic of Croatia in Hong Kong	2002
Knight Commander of the Order of St. Michael and St. George (KCMG) by the Queen of England	1997
Industry All-Star Award by Independent Energy, USA	1996
International CEO of the Year by George Washington University, USA	1996
Among "the Best Entrepreneurs" by Business Week	1994
Man of the Year by the International Road Federation, USA	1994
Business Man of the Year by the South China Morning Post and DHL	1991
Asia Corporate Leader by Asia Finance Magazine, Hong Kong	1991
Chevalier de L'Ordre de la Couronne by the King of Belgium	1985

Mr. Eddie Ping Chang HO

Aged 80, 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.

Mr. Thomas Jefferson WU

Aged 40, he is the Managing Director of the Company as well as the Managing Director of HHI, the listed subsidiary of the Company, and a director of various subsidiaries of the Company.

He graduated with high honours from Princeton University in 1994 with a Bachelor of Science degree in Mechanical and Aerospace Engineering. He then worked in Japan as an engineer for Mitsubishi Electric Corporation for three years before returning to full-time studies at Stanford University, where he obtained a Master of Business Administration degree in 1999.

Mr. WU joined the Company in 1999 as the manager of the Executive Committee Office, and was promoted to Group Controller the following year. He has been involved in the review of the Company's operational performance, strategic planning and organisational effectiveness, and has upgraded its financial and management accounting systems. An Executive Director of the Company since 2001, he was appointed the Chief Operating Officer in 2002, Deputy Managing Director in 2003, Co-Managing Director in 2007, and re-designated the Managing Director in 2009.

Mr. WU is active in public service in both Hong Kong and Mainland China. He serves in a number of advisory roles at different levels of government. In Mainland China, 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, as well as a member of the Executive Committee of the All-China Federation of Industry and Commerce, among other public service capacities.

In Hong Kong, Mr. WU's major public service appointments include being a member of the Hong Kong Government's Standing Committee on Disciplined Services Salaries and Conditions of Service and a member of its Steering Committee on the Promotion of Electric Vehicles, as well as a member of the Board of Directors of the Community Chest of Hong Kong, the Hong Kong Sports Institute and the Asian Youth Orchestra Limited. He is also a member of the Council of the Hong Kong Baptist University and a member of the Business School Advisory Council of The Hong Kong University of Science and Technology. In addition, he is an independent non-executive director of Melco Crown Entertainment Limited, a listed company in Hong Kong and USA (NASDAQ). Previously, he was a council member of The Hong Kong Polytechnic University and a member of the Court of The Hong Kong University of Science of Technology.

In addition to his professional and public service engagements, Mr. WU is mostly known for his passion for ice hockey, as well as the sport's development in Hong Kong and the region. He is the Vice President (Asia/Oceania) of International Ice Hockey Federation, the Co-founder and Chairman of the Hong Kong Amateur Ice Hockey Club and the Hong Kong Academy of Ice Hockey. He is also the Honorary President of the Hong Kong Ice Hockey Association — the national sports association of ice hockey in Hong Kong, the Vice-President of the Chinese Ice Hockey Association, Honorary President of the Macau Ice Sports Federation and Honorary Chairman of the Ice Hockey Association of Taipei Municipal Athletics Federation.

In 2006, the World Economic Forum selected Mr. WU as a "Young Global Leader". He was also awarded the "Director of the Year Award" by the Hong Kong Institute of Directors in 2010, the "Asian Corporate Director Recognition Award" by Corporate Governance Asia in 2011, 2012 and 2013, and named the "Asia's Best CEO (Investor Relations)" in 2012 and 2013.

Mr. WU is the 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 61, 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 62, he was appointed as an Executive Director of the Company in November 2002. He is an experienced architect and now mainly responsible for the construction works of Hopewell Centre II. 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. William Wing Lam WONG

Aged 56, 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 25 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 54, 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 the Chairman of the Civil Division (2011-2012) of the Hong Kong Institution of Engineers ("HKIE"), and a Council Member of the HKIE (2012-2013). He was also the Chairman of the Hong Kong Branch of the Institution of Highways and Transportation (2006-2007). He was elected as an Election Committee Member by the Engineering Subsector for the nomination and election of the Chief Executive of HKSAR in 2012. 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

Lady WU Ivy Sau Ping KWOK JP

Aged 64, she is a Non-Executive Director of the Company and joined the Board in August 1991.

She is the Deputy Chairman of the Hong Kong Red Cross and serves on the committees and boards of numerous other social organisations, including the Asian Cultural Council (Hong Kong) and the Asia Society (Hong Kong Center).

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 JP

Aged 53, 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 is a member of the Remuneration Committee of the Company and served as the Chairman of the Committee during the period from May 2011 to February 2012. 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 five other public companies listed on the Stock Exchange, namely, CSPC Pharmaceutical Group Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company, Limited and Termbray Industries International (Holdings) Limited. He is also an independent non-executive director of KWG Property Holding Limited, Ping An Insurance (Group) Company of China, Ltd and Esprit Holdings Limited, three other public companies listed on the Stock Exchange. He is currently the Chairman of the Listing Committee of the Stock Exchange and previously served as a Deputy Chairman of the Listing Committee for the period from June 2009 to May 2012. He was a non-executive director of The Cross-Harbour (Holdings) Limited, a public company listed on the Stock Exchange, from March 2001 to December 2012.

Independent Non-Executive Directors

Mr. Guy Man Guy WU

Aged 56 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 75 and an Independent Non-Executive Director of the Company, she joined the Board in August 1991 and is currently a member of both the Audit Committee and the Remuneration Committee of the Company. She was the Chairman of the Remuneration Committee during the period from February 2012 to January 2013. 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 39, 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. Mr. TAN was an executive director of Luen Thai Holdings Limited ("Luen Thai"), a listed public company in Hong Kong, from May 2006 to December 2012. Mr. TAN joined Luen Thai in 1999 and is currently the chief financial officer thereof. 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. Mr. TAN has been appointed as the executive vice chairman of the Hong Kong General Chamber of Textiles since 2009 and is currently the chairman of the Entrepreneurs' Organization Hong Kong Chapter. Mr. TAN obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison.

Dr. Gordon YEN

Aged 43, he was appointed as an Independent Non-Executive Director and a member of the Remuneration Committee of the Company in May 2012. He was appointed as the Chairman of the Remuneration Committee of the Company in February 2013. He was an independent non-executive director and a member of each of the Remuneration Committee and the Audit Committee of HHI from July 2003 to May 2012. Dr. YEN was previously employed by the Company or its subsidiaries as Project Director during 1995 to 1999. He is currently a non-executive director of Fountain Set (Holdings) Limited ("Fountain Set"), a public company listed on the Stock Exchange and previously served as an executive director of Fountain Set from September 2004 to May 2013. He was awarded a Bachelor of Manufacturing Engineering degree from Boston University, U.S. in 1990, a Master of Business Administration degree from McGill University, Canada in 1992 and a Doctorate degree in Business Administration from The Hong Kong Polytechnic University in 2005.

Mr. Ahito NAKAMURA

Aged 61, he was appointed as an Independent Non-Executive Director of the Company in December 2012. Mr. NAKAMURA is the managing director of PIA Entertainment (H.K.) Co., Limited and J-Macau Consulting Limited. Mr. NAKAMURA is also an Executive Board Member of The Macao-Japan Chamber of Commerce. He was previously employed by the Company as Treasurer during 1992 to 1997. Mr. NAKAMURA was awarded a Bachelor of Arts degree in Economics from Keio University, Japan in 1975.

Business Review

1. Properties

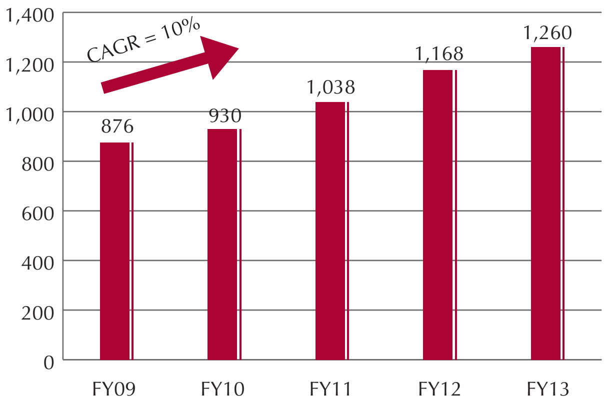
A. Investment Properties and Hospitality

The Group's investment property and hospitality businesses consist of its wholly-owned investment property portfolio and its hotel, restaurant and catering operation. The revenue from these businesses amounted to HK$1,260 million for the year under review, an increase of 8% year-on-year.

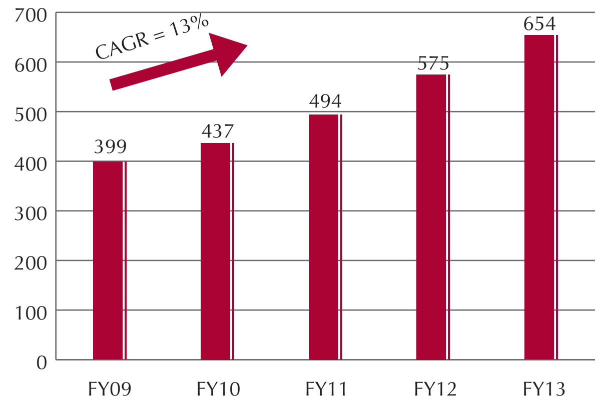
	Revenue		Change in Revenue
HK$ million	2012	2013	YoY
Investment Properties			
Rental income — office	231	268	+16%
Rental income — retail	199	225	+13%
Rental income — residential	61	73	+20%
Convention and exhibition	48	59	+23%
Air conditioning & management fee	126	130	+3%
Carpark & others	42	43	+2%
Investment Properties sub-total	707	798	+13%
Hospitality			
Room Revenue	235	245	+4%
Restaurants, catering operations and others	226	217	–4%
Hospitality sub-total	461	462	–
Total	1,168	1,260	+8%

The EBIT of the investment property and hospitality businesses increased by 14% to HK$654 million year-on-year. The five-year compound annual growth rates of revenue and EBIT of the Group's investment properties and hospitality businesses between FY09 and FY13, excluding any gain on completion, were 10% and 13% respectively.

Revenue – Investment Properties & Hospitality
(HK$m)



EBIT – Investment Properties & Hospitality
(HK$m)



Investment Properties

The revenue of the Group's property letting, agency and management operations amounted to HK$798 million during the year under review, an increase of 13% year-on-year. Their EBIT increased by 14% to HK$509 million year-on-year. The five-year compound annual growth rate of revenue and EBIT of the Group's investment property between FY09 and FY13, excluding any gain on completion, were 10% and 11% respectively.

The Group continues to adopt a proactive approach to achieving sustainable growth and strengthening its brand by actively managing its properties and focusing strongly on their services and quality. The Group has achieved positive rental reversions on its properties, which are well positioned to benefit from the decentralisation trend and expected strong rental growth, due to the redevelopment and revitalisation potential of the areas in which they are located.

The occupancy rates of the Group's investment properties remained at high levels during the year under review, and their average rental rates increased.

Occupancy and Rental Rates of Investment Properties

	Average Occupancy Rate			Change in Average Rental Rate
	FY12	FY13	YoY	
Hopewell Centre	94%	97%	+3%	+14%
KITEC Office	94%	96%	+2%	+14%
KITEC E-Max	94%	88%[N1]	–6%	+15%
Panda Place	77%	97%	+20%	+3%[N2]
QRE Plaza	86%	88%[N3]	+2%	+27%
GardenEast (apartments)	93%	93%	0%	+4%

N1: The occupancy rate for FY13 was lower due to the closure of certain portions of retail space in E-Max for refurbishment plan commencing from April 2013.

N2: Panda Place revamped from July 2012 to mid-December 2012.

N3: Reshuffling of tenant mix underway during the year under review. The remaining floor areas were recently committed. As of 14 August 2013, QRE Plaza was fully leased.

The Group's completed investment properties recorded significant revaluation gains during the year. These were mainly the result of their improved rental performance, due to on-going asset enhancement programmes, marketing and brand-building efforts, upgraded facilities and services, refinement of the tenant mix and improved connectivity with surrounding areas that are undergoing facelifts. The valuation of the Group's investment properties also benefited from Hong Kong's resilient economy and property market. In October 2012, the Group obtained possession of the land for the development of the Hopewell Centre II project, thereby unlocking the hidden value of the land it had previously acquired by recognising the land conversion gain for the project's commercial portion.

The highlights of the revaluation gains of investment properties during the year under review were as follows:

(HK$'m)	Book Value as of 30 June 2012	Book Value as of 30 June 2013	Revaluation Gain FY13	Major Reasons for Change
Hopewell Centre	7,898	11,751	3,709	• Improved rental performance • Improving connectivity with surroundings new developments • Hopewell Centre II site preparation work has started • Benefit from decentralisation trend: positive rental reversion • Revitalisation of Wan Chai South
% Change		*+49%*		
KITEC / E-Max	5,755	9,087	3,310	• Improved rental performance • Appreciation in value HK$5,460/sq.ft. in Nov 2012 Kowloon Bay[N1] land sale • Government's Energising Kowloon East & CBD2 • Benefit from decentralisation trend: positive rental reversion
% Change		*+57%*		
Panda Place	982	1,898	897	• FY14 rental income based on contract on hand ↑ 65% vs FY12 rental income • Completion of extensive renovation program
% Change		*+93%*		
Hopewell Centre II (commercial portion)[N2]	243[N3]	4,368[N4]	2,249	• Obtained possession of the site in Oct 2012 • Land conversion gain of HK$2,249 million arising from the conversion of bare land to a revenue generating asset
% Change		*+1,698%*		

N1: A business site at Sheung Yuet Road (site area: 27,760 sq.ft., max GFA: ~333,000 sq.ft.) was tendered at a total consideration of HK$1,818.3 million on 28 November 2012

N2: Hotel portion will be booked at cost (in line with industry practice)

N3: Representing 50% of around HK$500 million historical cost booked in FY12

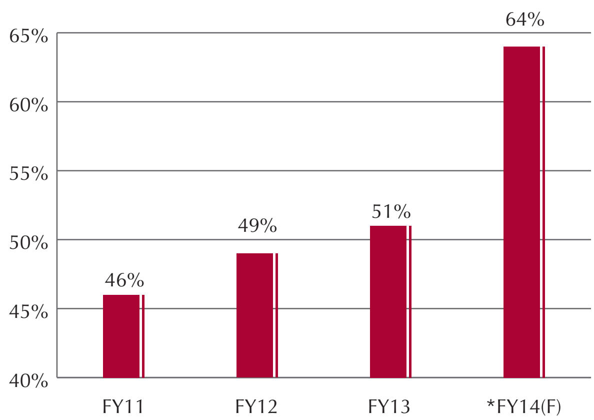
N4: Including attributable cost for commercial portion of approx. HK$2.1 billion (representing 50% of the sum of around HK$500 million historical cost and HK$3.7 billion land premium)

Hopewell Centre

Hopewell Centre, the Group's 840,000-square-foot flagship property, had an average overall occupancy rate of 97% during the year under review, while the occupancy level increased to 98%, as of 30 June 2013. Its aggregate rental income increased by 17% year-on-year to HK$265 million, and higher rents were achieved for renewals and new leases of both its office and retail spaces.

The main contributors to Hopewell Centre's increased rental income were the continuous enhancements being made to the building's specifications and services. The adoption of a co-termination strategy has increased the numbers of both quality and sizeable tenants (those who leased a GRA of more than 15,000 sq.ft.) for its office space. The Group believes it can improve the tenant mix and achieve a better rental yield on bigger floor plates. The number of individual tenants occupying an area of over 15,000 sq.ft. each increased from 49% in FY12 to 51% in FY13, and a further increase to more than 64% is expected in FY14.

Sizeable tenants at Hopewell Centre (% to total office space – occupying 15,000 sq.ft. or above)



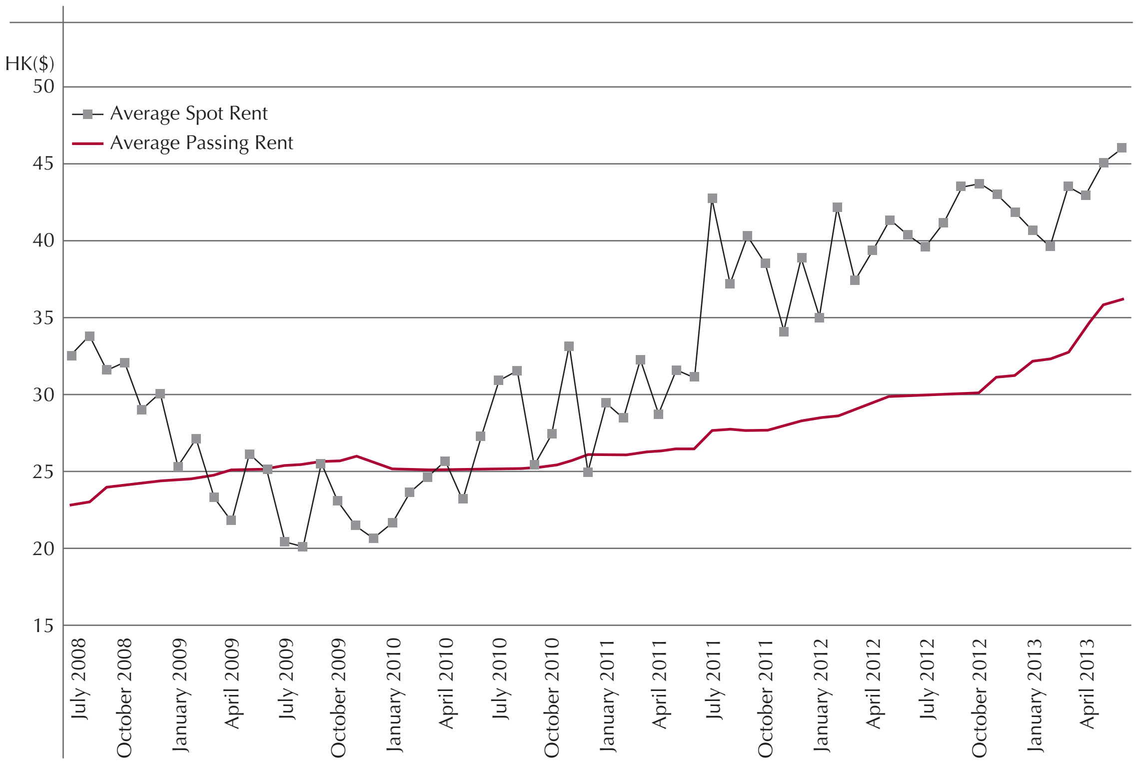
* Based on contract on hand as at 31 July 2013

A revamp of the podium façade is being planned and is scheduled to commence in 2014. The new design will further elevate Hopewell Centre's image and increase its attractiveness on Queen's Road East. The Group also intends to add an entertainment element to Hopewell Centre by introducing an upmarket "live-house" concept performance venue to extend the business hours of "The East" dining and entertainment community. It believes this will further enhance "The East" brand, and improve its market position in Wan Chai district.

The Group is also committed to adding value to Hopewell Centre and to maintaining its competitive edge in order to seize opportunities presented by the decentralisation trend in the office market. Continuous efforts are being made to retain its existing tenants and attract prestigious and sizable new ones, including government financial authority and professional service firms. The average passing rent for office space rose by 13% to HK$31.6 per sq.ft. during the year, thereby exceeding the target announced in February 2013. Meanwhile, with a recently signed tenant at HK$53.0 per sq.ft., the average spot rent rose by 14% to HK$42.7 per sq.ft., compared to the previous financial year.

The value of the office portion's rental contracts on hand for FY14 reached approximately HK$210 million, as of 30 June 2013. This represented approximately 113% of the total rental revenue for FY13. The Group aims to achieve an average passing rent for offices of not less than HK$36.0 per sq.ft. in FY14, which would represent a 14% increase on the figure for FY13.

Hopewell Centre Office
Average Spot Rent & Average Passing Rent Trend (FY08 - FY13)



As of 30 June 2013, Hopewell Centre's retail portion was 98%, and it offered the public a wide array of dining and shopping experiences.

"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 25 high-profile F&B outlets, plus 34 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 the rental performance of its portfolio in the future. The customer spending has increased remarkably, reflected by the growth in sales turnover of "The East" tenants. It indicates the success in the marketing strategies.

QRE Plaza

This 25-storey, 77,000-square-foot building boasts a broad 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 has now been well established as the one-stop "Quality lifestyle, Relaxation and Entertainment" hub that its name suggests.

Marketing and promotional activities have succeeded in attracting increased traffic and renowned retailers to "The East", such as the MINI car showroom. During the year under review, QRE Plaza's rental income increased by 20% and its rental rate rose by 27% compared to the previous financial year. As of 30 June 2013, 90% of QRE Plaza's total floor area was let, and it offered a wide range of dining options and unique lifestyle services. The remaining floor areas were recently committed. As at 14 August 2013, QRE Plaza was fully leased.

Wu Chung House (Retail Outlets)

The Group owns several retail outlets with a total GFA of 17,670 sq.ft. at Wu Chung House. These form part of "The East", and they are fully let to a number of well-known retailers. The opening of the only Rolls-Royce car showroom in Hong Kong at Wu Chung House was followed by McLaren's first Asia showroom, thus expanding the car showroom cluster at "The East". Its rental income increased by 9% and the rental rate was up by 10% year-on-year. The Group plans to revamp some of the retail spaces at Wu Chung House in order to attract quality upmarket restaurants, and it expects to see double-digit growth in its rents.

GardenEast

GardenEast, a 96,500-square-foot and 28-storey building, houses 216 premium serviced apartments, plus three retail shops on its podium level. Their convenient location in the heart of Wan Chai's commercial district and their outstanding reputation for quality services have enabled these serviced apartments to attract residents and repeat guests from around the world, especially banking, finance and investment professionals.

GardenEast's overall rental income rose by 6% year-on-year. The average occupancy rate of its serviced apartments remained high at 93% during the year under review, while the average rental rate increased by 4% compared to the previous financial year.

As of 30 June 2013, GardenEast's retail premises were fully let to quality F&B operators.

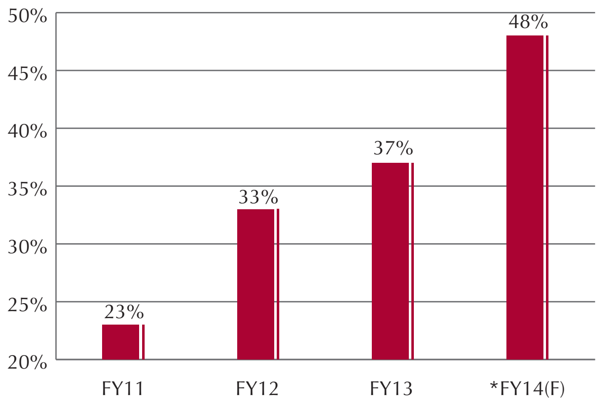
KITEC

KITEC Office

In its 2013 Policy Address in January, the Hong Kong Government proposed the establishment of "Kai Tak Fantasy" a new recreational landmark on the former airport runway at the Kai Tak Development Area. The first berth of its Kai Tak Cruise Terminal became operational in June 2013. The Policy Address also stated that Kowloon East (including Kai Tak) will be developed into another CBD. This will create a cluster effect that will increase the flow of traffic to the district. It will therefore increase the demand for KITEC's services and other offerings.

As one of the initiators of the "Energising Kowloon East" programme, the Hong Kong Government has already relocated some of its departments to Kowloon East. With the advantage of its strategic location, KITEC has managed to achieve better rental yields on bigger floor plates by attracting some sizable tenants who have leased more than 15,000 sq.ft. of GRA. They include Wharf T&T and the Labour Department, which occupy more than 100,000 sq.ft. and 49,000 sq.ft., respectively. The table below shows details of its major office space tenants during the year.

Sizeable tenants at KITEC Office (% to total office space – occupying 15,000 sq.ft. or above)

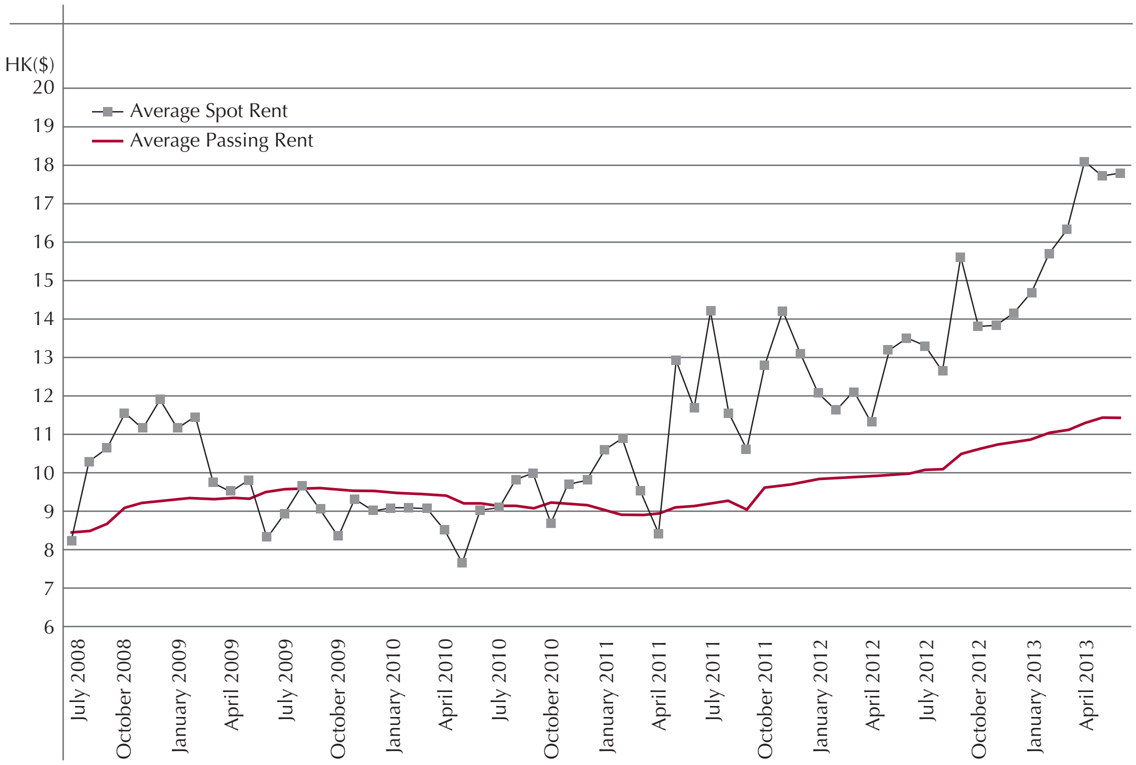


* Based on contract on hand as at 31 July 2013

The Group has adopted a co-termination strategy to accommodate sizeable tenants, with a view to optimising its tenant mix continuously, maintaining high occupancy rates and securing rental income in advance. It also continues to pursue a flexible marketing strategy and carry out improvement works. This allows it to provide a quality working environment for its office tenants, and to attract the overspill created by the decentralisation trend. By monitoring and actively forecasting market trends, KITEC has achieved positive rental reversions and it is well-positioned to benefit from the expected strong growth of rentals resulting from the redevelopment and revitalisation of Kowloon East.

In view of this trend, the value of KITEC's FY14 office rental contracts on hand amounts to HK$84 million, representing 106% of its rental revenue for FY13. In April and May 2013, it signed agreements with Wharf T&T and the Labour Department respectively. These covered a total of around 100,000 sq.ft. of premises at rental rates of between HK$20.0 and HK$21.0 per sq.ft. Its rental revenue for FY13 was HK$80 million, representing an increase of 13% year-on-year. The average rental rate in FY13 was HK$10.8 per sq.ft., which exceeds the target announced in February 2013 and represents a 14% increase on the average of HK$9.5 per sq.ft. in FY12. The Group aims to achieve an average passing rent for offices of not less than HK$12.5 per sq.ft. during FY14, which will represent a 16% increase on the figure of HK$10.8 per sq.ft. in FY13. Their average spot rent increased by 24% year-on-year to HK$15.1 per sq.ft., and their average occupancy rate was approximately 96% during the year.

KITEC Office
Average Spot Rent & Average Passing Rent Trend (FY08 - FY13)



E-Max

E-Max is an entertainment-driven shopping arcade that includes a new live house, a cineplex (now under construction), and Star Hall. The Group constantly monitors and evaluates the performance of the E-Max tenants and the utilisation of its space to maximise the potential return on its leasing there. It also plans to refurbish the basement, ground floor and second floor of E-Max and expand its arcade area with new layouts in order to improve the tenant mix and rental yield. As part of the refurbishment plans, the duty free store on the second floor will be relocated to basement one in October 2013, and the marketing positioning of the second floor will be changed to general retail stores. This is expected to improve the tenant mix in E-Max and it will also enable it to achieve higher rental rates. With the additional retail space being converted on the ground floor, the overall rental income at E-Max is expected to grow by not less than 30% in FY15, compared to the FY13 figure.

The Group plans to reposition E-Max as an entertainment hub in order to target a younger clientele. It also plans to convert the existing bowling alley on the ground floor into a multi-cinema complex. The Buildings Department has already approved its application to do so. The conversion programme started in May 2013 and is planned to be completed during the first quarter of 2014. The proposed multi-cinema complex will have nine houses and a total seating capacity of approximately 1,100, making it one of the largest cinema complexes in Kowloon Bay. It will also have a grand premiere house and a vast atrium function area that can be used for major film festivals and events. The total capital expenditure for the E-Max II refurbishment plan is expected to be in the region of HK$200 million.

As of 30 June 2013, E-Max had an occupancy rate of 72%, due to the closure of parts of its retail space for the E-Max II renovation works. Its average occupancy rate for the year was 88%.

The Group is currently studying the redevelopment plan of KITEC.

Conventions, Exhibitions and Entertainment

Its wide variety of value-added options and flexibility make Star Hall an attractive venue for hosting concerts, trade shows, consumer shows and banquets. The Group is continuing with its plans to stage quality musical and entertainment performances at E-Max in order to strengthen its status as an entertainment hub. The 9th Huading Awards were held at Star Hall on 10 April 2013. This event was attended by celebrities and the public, and it was covered by both the local and international media. Impulse @ Star Hall — a brand-new initiative to bring a number of hip music acts from all over the world to enrich Hong Kong's entertainment and cultural landscape — kicked off successfully with its first event featuring Avicii and other renowned DJs in Star Hall on 14 June 2013. To reinforce the entertainment theme at E-Max further, the Group intends to relocate its existing live house and enhance its facilities to cater for a greater variety of events. This project is scheduled for completion by 2014.

The E-Max convention, exhibition and entertainment operation performed well during the year, staging a total of 160 shows, including concerts and children's musicals. Its convention, exhibition and entertainment revenue amounted to HK$59 million, a year-on-year increase of 23%.

Panda Place

Panda Place is a 229,000-square-foot shopping mall located in the heart of Tsuen Wan. A recent renovation project and a refined tenant mix have given it a new look, and it offers both locals and tourists a superb and convenient shopping experience.

Thanks to the Company's strong executive capabilities, the revamp was carried out in a timely and thorough manner. All the new tenants, including AEON, the anchor tenant, opened for business during the fourth quarter of 2012.

Panda Place's rental income increased by 7% year-on-year, despite the renovation works and rent-free periods between July and December 2012. Based on contracts on hand, its rental income for FY14 will amount to HK$52 million, a rise of 65% compared to the figure for FY12, prior to the revamp. Benefiting from its synergy with Panda Hotel and its new shopping concept following the revamp, Panda Place's visitor footfall reached 3.6 million during the period from April to June 2013, an increase of 13% on the same period last year. As of 30 June 2013, its occupancy rate was 99%.

Hospitality

The revenue of the Group's hotel, restaurant and catering operations remained steady, amounting to HK$462 million during the year under review. Owing to improved operational efficiency and cost controls, the EBIT of these operations grew by 11% to HK$145 million year-on-year. The five-year compound annual growth rates of the revenue and EBIT of the Group's Hospitality Division between FY09 and FY13 were 9% and 25%, respectively.

Panda Hotel

The Panda Hotel benefited from the continued growth of tourist arrivals from mainland China during 2012, and its total revenue rose by 3% to HK$336 million during the year under review. The average room occupancy figure remained high at 93%, while the average room rate was 3% higher than last year. This was in line with the market trend. Room revenue rose by 4% to HK$245 million year-on-year, while food and beverage revenue amounted to HK$91 million, which was broadly in line with last year's figure.

To maintain its competitiveness and to maximise its revenue, Panda Hotel will continue to explore potential new leisure markets and MICE business. It expects to accommodate more higher-spending corporate travellers and guests who book online as the result of its on-going guestroom renovation and facility upgrade plans. The Group will dedicate more resources to sales and marketing for the hotel, in order to ensure the healthy and sustained growth of its business.

According to the general market practice, the asset value of hotel is stated at cost in the Group's balance sheet. As of 30 June 2013, the book value of Panda Hotel amounted to HK$363 million (equivalent to around HK$0.4 million per room), which implies a valuation uplift of around HK$3 billion compared to its market value of HK$3,390 million (equivalent to around HK$3.7 million per room) as estimated by DTZ Debenham Tie Leung Limited ("DTZ"), an independent property valuer.

An enhancement project is being undertaken on the 7/F in order to maintain and increase Panda Hotel's F&B revenue by attracting more catering business. The extensive asset refurbishment work taken place at Panda Place and the arrival of more renowned brands as tenants there have also enriched the image of Panda Hotel, and this will benefit the growth of its food and beverage business.

Restaurant & Catering Services

The KITEC F&B business remained fairly stable, with total revenue of HK$115 million during the year under review. Its two food and beverage outlets achieved a turnover of HK$34 million, an increase of 8% year-on-year. KITEC's banqueting revenue was also higher during the year's peak period between December and April. Demand for its banqueting services usually increases on dates that are believed to be auspicious in the Chinese lunar calendar. This reaffirms the correctness of the Group's strategy of allocating extra space in its convention and exhibition venues for banqueting services during the peak period, thus enabling its banquet business to grow.

The Group's F&B business strived to maintain the quality and consistency of its operations by strengthening the training of its employees and enhancing its management standards relating to food preparation, facility maintenance and staff development. It continuously improved and upgraded its recipes to maintain the standards of flavour, presentation, quality and hygiene of its dishes. It will further improve the efficiency of its banqueting kitchen in order to support the continuous growth of and demand for its services.

B. Sales

Hopewell New Town

Project Description

Location	Huadu, Guangzhou, the PRC
Total site area	Approx. 610,200 square metres
Total plot ratio GFA	Approx. 1.11 million square metres
Basement car park GFA	Approx. 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, commercial areas and recreational facilities. It is strategically located approximately 3 kilometres from Baiyun International Airport in Guangzhou, and close to the highway connecting the airport with Guangzhou city centre. Approximately 291,500 sq.m. of the development (consisting of 158 townhouses and 1,999 apartments) had been sold and booked up to 30 June 2013.

According to the project's current development plan, a total of 158,000 sq.m. of its residential development will be completed between FY14 and FY16. Of this, 54,000 sq.m. consisting of 616 apartments will be completed in FY14, 43,000 sq.m. consisting of 364 apartments in FY15, and 61,000 sq.m. consisting of 560 apartments in FY16.

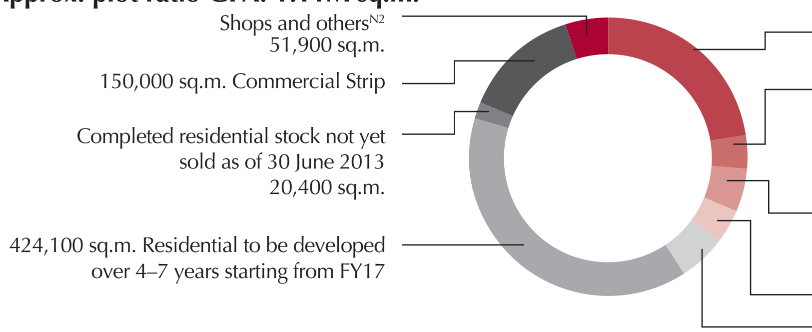
Sales of units in Hopewell New Town received an encouraging response from the market. 663 units or 73,700 sq.m., comprising 660 units or 72,800 sq.m. of apartments and 3 units or 900 sq.m. of townhouses, were sold during FY13 and subsequently up to 14 August 2013. Total sales generated was RMB686 million, with average selling price of apartment increasing 14% to RMB8,900 per sq.m. while that of townhouse rising 6% to RMB21,900 per sq.m. compared to those sold in FY12. As for FY13 sales booking, 339 units or 42,700 sq.m., comprising 333 units or 41,000 sq.m. of apartments and 6 units or 1,700 sq.m. of townhouses, were booked in the year under review, with an average selling price of apartment rising 6% year on year to RMB8,200 per sq.m. Total revenue booked in FY13 was RMB390 million, which fell 23% year-on-year mainly due to the recognition of fewer sales as compared to FY12.

As of 14 August 2013, 40,300 sq.m. or 247 apartments representing 73% of the units completed in FY13 had been sold. In addition, pre-sale of apartment units to be completed in FY14 started in May 2013. Of the 54,000 sq.m. or 616 apartments to be completed in FY14, 32,000 sq.m. or 406 apartments representing 59% of these units had been pre-sold. The Group expects that demand for housing in the area will continue to support sales of the residential units at Hopewell New Town.

The Group is currently studying various options for the development of a commercial strip with a permissible GFA of 150,000 sq.m.

Plot ratio GFA breakdown

Approx. plot ratio GFA: 1.11M sq.m.[N1]



Completion time [N4]	Residential GFA	Pre-sale
FY14	54,000 sq.m.	started pre-sale in 2HFY13, 32,000 sq.m. were pre-sold [N3]
FY15	43,000 sq.m.	2HFY14
FY16	61,000 sq.m.	to be determined

N1: Plot ratio GFA does not include 0.45 million sq.m. basement car parks
N2: Others include community facilities and clubhouse
N3: As of 14 August 2013
N4: Present planning subject to change

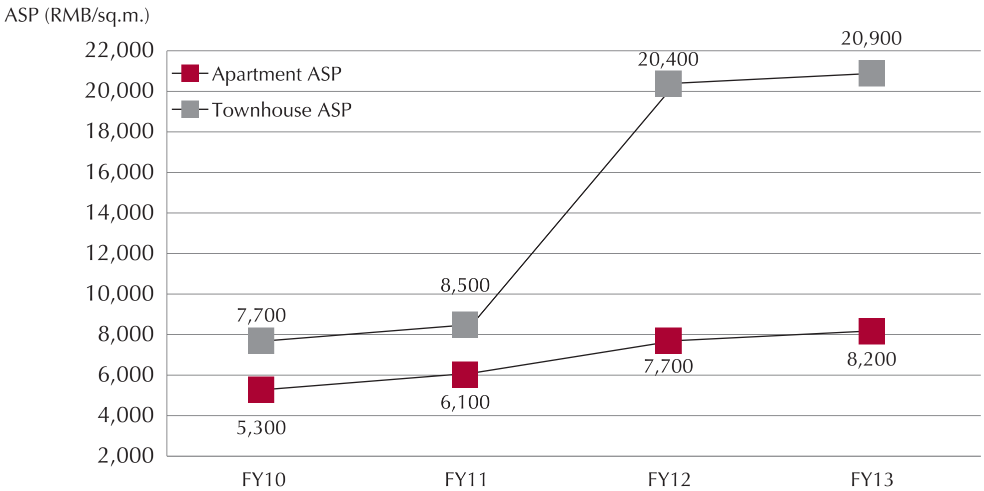
Breakdown of Plot Ratio by Type of Unit

Development Plan[N1]

Sales Booking	Plot Ratio GFA (sq.m.)				
Units Sold	Apartments	Townhouses	Residential sub-total	Commercial & Other[N2]	Total
Booked up to 30 June 2012	206,000	42,800	248,800	–	248,800
Booked in FY13	41,000	1,700	42,700	–	42,700
To be booked in FY14	11,800	2,300	14,100	–	14,100
Planned Completion					
FY14[N3]	54,000	–	54,000	5,000	59,000
FY15	43,000	–	43,000	–	43,000
FY16	61,000	–	61,000	–	61,000
FY17 and beyond	365,200	58,900	424,100	183,200	607,300
Remaining stock not yet sold as of 30 June 2013	14,900	5,500	20,400	13,700	34,100
Total	796,900	111,200	908,100	201,900	1,110,000

N1: Present planning, subject to change
N2: Including 13,400 sq.m. shops, and approximately 150,000 sq.m. commercial strip planned to be developed
N3: As of 14 August 2013, 32,000 sq.m. were pre-sold

Average Selling Price ("ASP")[N1]



		FY10	FY11	FY12	FY13
GFA booked (sq.m.)					
	Apartment	41,000	56,000	24,500	41,000
	Townhouse	13,000	1,000	13,800	1,700
Units booked					
	Apartment	366	574	306	333
	Townhouse	43	4	48	6

N1: Represents the average selling price for residential area booked in each financial year

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 contributed to the idea of widening 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 on Broadwood Road. The top-quality finishes of its units and the stunning views they enjoy of the racecourse and Victoria Harbour have positioned them as attractive luxury residences.

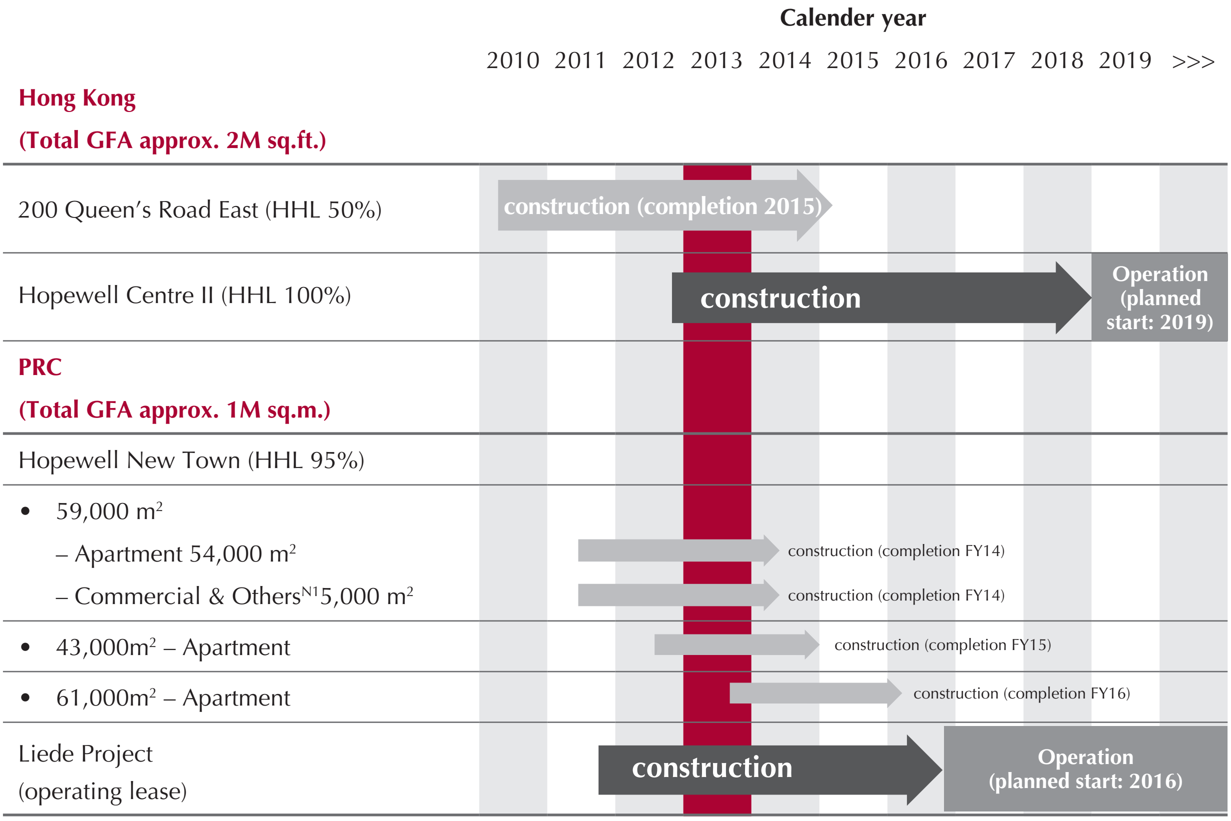
Sales of Broadwood Twelve residential units commenced in June 2010. As of 14 August 2013, 59 or 78% of its 76 units had been sold, generating total sales proceeds of around HK$2,739 million (including proceeds from the sale of car-parking spaces). 8 of these sales, including two duplex units, were booked during the year under review. Most of the buyers were end-users. The average price of the units sold was around HK$34,100 per sq.ft. based on saleable area.

The residential property sales volume has fallen since the Hong Kong Government implemented the Buyer's Stamp Duty, the enhanced Special Stamp Duty, and the Double Stamp Duty to stabilise the property market during the year. However, the Hong Kong luxury residential market is relatively well supported by limited new supply, especially in prime locations and traditional luxury districts. The Group therefore remains confident about the prospects for the Hong Kong residential property market.

Broadwood Twelve's high-end residential units have also attracted leasing offers from large and well-known corporations, as well as individual professionals. To maximise the Group's income, 6 unsold units were being leased at an average monthly rental rate of about HK$70 per sq.ft. of saleable floor area, as of 14 August 2013. These units will still be available for sale.

C. Properties Under/For Development

Construction Timeline for Projects*



* Present planning, subject to change

N1: Including shops

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 (hotel area of around 70,500 square metres), a retail area of around 27,700 square metres and an office area of 3,400 square metres
Height/No. of storeys	210 mPD/55 storeys
Estimated total investment	Around HK$9 billion (including land premium of HK$3,726 million and an estimated investment cost for a road improvement scheme and parks)
Status	Site preparation work in progress

The Group commenced site preparation work at the end of 2012, following the completion of the Land Grant execution with a land premium payment of HK$3,726 million on 24 October 2012. Construction work is planned to be completed in 2018. The estimated total investment cost (including the land premium) is currently planned to be around HK$9 billion. This will be financed by the Group's internal resources and/or external bank borrowings. Upon completion, Hopewell Centre II is expected to be one of largest hotels in Hong Kong with comprehensive conference facilities.

Hopewell Centre II, Wan Chai – Construction Timeline and Capex Plan[N1]

Major Construction Works

FY	2013	2014	2015	2016 & beyond
Stage 1 Site Preparation Works	Started end-2012			
Stage 2 Site Formation & Foundation Works[N2]				
Later Stage Structural Framework, Finishing and Fitting out Works, Hotel set up				*Planned completion in 2018*

N1: Present planning, subject to change
N2: Including construction of retaining walls, soil & rock export

Capex Plan

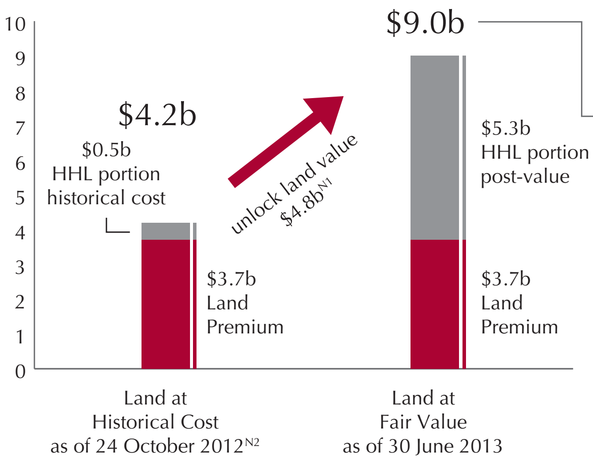
FY	Upto 24 October 2012	2013	2014	2015	2016 & beyond
Amount (HK$'m)	historical cost: around 500	Land premium: around 3,726 Construction related cost: around 10	around 200	around 540	around 4,220

Planned total investment: Approx. HK$9 billion

As of 30 June 2013, the market's estimated value of the site of Hopewell Centre II was about HK$9.0 billion. On this basis, after deducting the land premium of about HK$3.7 billion, the value of the portion of land already owned by the Group would amount to HK$5.3 billion, compared to its book value of around HK$500 million stated at historical cost as of 24 October 2012. Therefore, HK$4.8 billion of land value has been unlocked.

Hopewell Centre II – Market's Estimated Land Value

(HK$ in billion)



As of 30 June 2013	Fair Value HK$/sq.ft.	GFA sq.ft.	Land Fair Value	Fair Value mix
Commercial portion*	13,000	335,600	HK$4.37b	~50%
Hotel portion	6,200	758,700	HK$4.68b	~50%
Total			HK$9.05b	100%

* Including retail GFA 298,000 sq.ft. and office GFA 37,000 sq.ft.

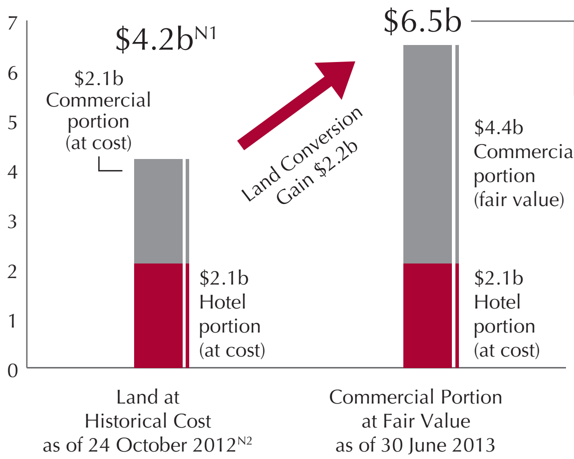
N1: Of which a land conversion gain of commercial portion of HK$2.2 billion was booked in HHL's profit and loss account in FY13

N2: HHL completed the land grant execution on 24 October 2012

Since the project is now underway, a gain on the commercial portion arising from the conversion of raw land into a revenue-generating asset was recorded in the Group's profit and loss account for the year under review. As of 30 June 2013, the estimated market value of the commercial portion was about HK$4.4 billion, compared to its book value stated at historical cost of around HK$2.1 billion. Therefore, a land conversion gain of HK$2.2 billion has been booked for the commercial portion during the year. The value of the hotel portion of the project is still being stated at cost of around HK$2.1 billion (equivalent to around HK$2.1 million per room) in the Group's balance sheet as of 30 June 2013, in accordance with general market practice. This implies a valuation uplift of around HK$2.6 billion compared to its market value of HK$4,680 million (equivalent to around HK$4.6 million per room) as estimated by DTZ.

Land Conversion Gain of Hopewell Centre II's Commercial Portion

(HK$ in billion)



As of 30 June 2013	HK$/sq.ft. Historial cost	HK$/sq.ft. Book value	GFA sq.ft.	Book value
Commercial portion*	6,300	13,000 (at fair value)	335,600	HK$4.4b
Hotel portion	2,800	2,800 (at cost)	758,700	HK$2.1b
Total				HK$6.5b

* Including retail GFA 298,000 sq.ft. and office GFA 37,000 sq.ft.

N1: – Represents around HK$500 million historical cost booked in FY12 + HK$3.7 billion land premium paid in October 2012
– The attributable cost of hotel and commercial portions are based on 50:50 split in their fair values as of 30 June 2013 as shown in previous chart

N2: HHL completed the land grant execution on 24 October 2012

The Hopewell Centre II Green Park Committee has been formed to strive for a better design of the green park. The Group is also looking into the best way to preserve Nam Koo Terrace, while maximising its potential.

A road improvement scheme, a green park open to the public, and an extensive tree-planting plan will all be implemented alongside the project. The road improvement scheme will help to improve the area's traffic flow and enhance the safety of pedestrians, whereas the green park will provide a venue for public recreation and enjoyment.

As part of the Group's Wan Chai Pedestrian Walkway proposal, the project will provide a convenient pedestrian connection between the Kennedy Road residential area in Mid-Levels and Wan Chai MTR Station and Wan Chai North, via Hopewell Centre and the 200 Queen's Road East Project. This will assist with the integration of parts of the Wan Chai district and it will provide access to the Group's properties under "The East" brand. It will also synergise with the Group's current property portfolio in Wan Chai, and enhance its recurrent income base.

200 Queen's Road East 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 the URA	Around 18,000 square feet
Revenue sharing with the URA	• Residential sales proceeds in excess of HK$6.2 billion will be shared equally between the URA and joint venture • Net rental income and sales proceeds from commercial portion will be shared 40:60 by the URA and joint venture

The 200 Queen's Road East Project is a URA redevelopment project with residential, commercial and government, institution or community elements. The Group and Sino Land Company Limited ("Sino") formed the 50:50 JV that won the tender for this project in June 2009. The JV creates synergy by combining the Group'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 local 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 create a direct and unique connection between Wan Chai MTR Station and "The East". Its sophisticated network of pedestrian walkways will form the proposed Wan Chai Pedestrian Walkway, which will unite and integrate various parts of the district.

The residential portion of the 200 Queen's Road East Project consists of four towers that will offer approximately 1,300 residential units with a wide variety of sizes and layouts. The retail portion will be a tree-lined pedestrian walk equipped with refreshing, sophisticated shopping and dining options that are complemented with a beautiful streetscape. Its new identity will combines the themes of "Heritage and Modernity" and "East and West" in a harmonious way. The Group expects to commit leases for tenants of the retail portion in 2014.

Work on the project's superstructure is now underway, and the development is expected to be completed in 2015. Pre-sales of the residential units are currently planned to commence during the second half of 2013. The project's retail portion will further enlarge the Group's rental property portfolio, and it is expected to create synergy among the Group's existing properties, which include Hopewell Centre, QRE Plaza and GardenEast, as well as the future Hopewell Centre II, thus forming one of the largest retail clusters in Wan Chai.

The JV currently plans to invest around HK$9 billion in providing the project with premium quality and environmentally friendly features. In July 2011, the JV signed bank loan facilities for an aggregate principal amount of up to HK$5 billion, which should be more than adequate to fund the project. As of 30 June 2013, the Group had also injected approximately HK$2.2 billion of its own funds into it.

Properties For Development

The Group has acquired individual units on several sites in Hong Kong for future development. They include all the undivided shares of the properties situated at 155-159 Queen's Road East, and approximately 95% of the undivided shares of the properties situated at 161-167 Queen's Road East. The size of its interest in the latter will allow the Group to apply to the Lands Tribunal for the compulsory sale of the entire building for the purpose of redevelopment, pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong). The assembly of such amalgamation properties into sites is part of the Group's strategy of acquiring land reserves in strategic locations for future development. The Group believes this approach has the potential to generate attractive investment returns.

Liede Integrated Commercial (Operating Lease) Project

Project Description

Location	Zhujiangxincheng, Guangzhou's 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 Group
Investment structure	Operating lease of the buildings with landlord
Status	Under construction

Pursuant to an agreement entered into by a subsidiary of the Group and the development's landlord, Guangzhou Liede Economic Company Limited, the Group's subsidiary will be responsible for fitting out and equipping this commercial complex development when its construction has been completed. The premises will then be leased to the Group's subsidiary under an operating lease, and it will begin to pay rent to the landlord once its commercial operations commence.

Construction of the project began during the third quarter of 2011 and is currently planned for completion in 2016.

2. Infrastructure

A. Hopewell Highway Infrastructure Limited ("HHI")

Business Performance

During the year under review, the aggregate average daily traffic volume on the GS Superhighway, Phase I West and Phase II West increased by 10% to 548,000 vehicles, whereas their aggregate average daily toll revenue decreased by 8% to RMB10.4 million. The decline in toll revenue was mainly attributable to a fall in the toll revenue of the GS Superhighway following the implementation of the Tariff Proposal in June 2012, as well as the Holiday Toll-free Policy, but it has been partly offset by the strong growth of Phase II West's toll revenue. With the opening of Phase III West on 25 January 2013, HHI Group's four projects collected a total of RMB3,844 million in toll revenue during the year under review.

The average daily toll revenue of the GS Superhighway fell by 13% to RMB8.7 million during the year under review, due to the implementation of the Tariff Proposal and Holiday Toll-free Policy. The average daily traffic on the GS Superhighway grew by 6% year-on-year to 427,000 vehicles. The traffic of Classes 3, 4 and 5 vehicles grew even more strongly, by 12% year-on-year, compared to a 4% year-on-year growth in Class 1 small cars, due to greater price sensitivity.

Phase I West recorded stable growth and Phase II West maintained strong growth during the year under review. The average daily traffic volume and average daily toll revenue of Phase I West grew by 13% and 4% respectively, amounting to 42,000 vehicles and RMB453,000. The average daily traffic and average daily toll revenue of Phase II West during the year under review were 79,000 vehicles and RMB1,303,000, representing growth of 30% and 27% respectively. The average daily toll revenue of Phase II West has exceeded RMB1.4 million since January 2013 (except during the months when the Holiday Toll-free Policy was in force). In July 2013, Phase II West achieved its profit breakeven target of an average daily toll revenue of RMB1.5 million for the first time.

HHI Group's revenue base was further enlarged when Phase III West commenced operation on 25 January 2013. Between its opening and 30 June 2013, Phase III West recorded an average daily traffic of 14,000 vehicles and an average daily toll revenue of RMB291,000. The traffic and toll revenue of Phase III West has grown continuously, reaching 18,000 vehicles and RMB376,000 in July 2013. Its synergy with Phase I West and Phase II West has added fresh momentum to the growth of their toll revenue and traffic as well. Since its completion, the entire Western Delta Route's total toll revenue accounted for 18% of HHI Group's proportionately shared aggregate toll revenue, compared to 13% in FY12.

Based on the annual toll revenues of the GS Superhighway, Phase I West and Phase II West and their expenses during their first year of operation, HHI Group expects that Phase III West may achieve operating cash flow breakeven (after taking interest expense payments into account) within the next 2 years, after its average daily toll revenue reaches RMB850,000, which is equal to an annual toll revenue of RMB8.2 million per km.

Toll Road Policies

Guangdong Tariff Proposal

The tariff rate for all expressways in Guangdong has been standardised since the implementation of the Tariff Proposal on 1 June 2012. Despite the drop in the GS Superhighway's toll revenue, the policy's impact on the GS Superhighway stabilised within 2 months since its implementation, and it is in line with the estimate set out in the voluntary joint announcement issued by HHI and the Company on 31 May 2012. The average daily toll revenue of the GS Superhighway has been picking up again since the drop, increasing from RMB8.3 million in June 2012, to around RMB9 million in June 2013. In June 2013, one year after the Tariff Proposal's implementation, the average daily toll revenue and average daily traffic of the GS Superhighway had both regained positive year-on-year growth amounting to 8%. Average daily traffic volume and average daily toll revenue maintained the uptrend, rising 9% and 7% year-on-year to 475,000 vehicles and RMB9.4 million in July 2013 respectively. From 1 to 14 August 2013, average daily traffic volume and average daily toll revenue rose approximately 7% and 6% year-on-year to 469,000 vehicles and RMB9.4 million respectively. On the other hand, the impact of the Tariff Proposal on Phase I West and Phase II West was insignificant, as both have implemented the new tariff since they opened.

Holiday Toll-free Policy

As HHI announced on 14 August 2012, the State Council issued the Notice Regarding the Holiday Toll-free Policy ("Notice") on 2 August 2012. The Notice stipulates that small passenger vehicles with 7 or fewer seats should be entitled to use relevant toll roads free of charge during the four major statutory holidays, namely Lunar New Year, Ching Ming Festival, Labour Day and National Day, as well as the prescribed rest days immediately before and/or after these statutory holidays. During the year under review, the GS Superhighway, Phase I West and Phase II West implemented this policy for a total of 21 days. Small cars with 7 or fewer seats were exempted from toll charges on HHI Group's expressways during the aforesaid periods. Comparing the statistics for FY13 with the relevant statutory holidays in FY12, the aggregate annual toll revenues of the GS Superhighway, Phase I West and Phase II West were reduced by about 3% as a result of the policy, which was in line with the figures disclosed in the announcement dated 14 August 2012. During the year under review, Phase III West also implemented the Holiday Toll-free Policy except for the National Day holidays as it was opened on 25 January 2013.

Regulation on the Administration of Toll Roads (Amendment Proposal)

On 8 May 2013, the Ministry of Transport proposed amendments to the existing Regulation on the Administration of Toll Roads and invited opinions from the public and other relevant industries. Among other matters, the draft amendments include proposed compensation terms for the operators of toll roads affected by losses of revenue as a result of the Central Government's implementation of the toll-free policy in the form of an extension of their toll collection periods. HHI will closely monitor the latest developments concerning the amendments.

Partial Opening of a Parallel Road

A 41-km stretch of the 59-km Guangzhou-Dongguan section of the Coastal Expressway has been open for more than one-and-a-half years since mid-January 2012. During the year under review, the average daily traffic volume of the GS Superhighway increased by 6%. The impact of the opening of this section of the Coastal Expressway on the GS Superhighway's traffic has been minimal.

According to the latest media reports, both the remaining 18-km of the Coastal Expressway's Guangzhou-Dongguan section and the 30-km Shenzhen section are scheduled for completion by the end of September 2013 and hence the Coastal Expressway will be fully completed. HHI Group will continue to monitor its progress.

There are two misconceptions concerning the GS Superhighway and the Coastal Expressway. The first is that the travelling distance between Hong Kong and Guangzhou via the GS Superhighway is longer than via the Coastal Expressway. The second is that the GS Superhighway's tariff is higher than that of the Coastal Expressway. If one includes the connecting roads at both ends of the Coastal Expressway (i.e. the Hong Kong-Shenzhen Western Corridor and the connecting roads to Hong Kong's highway networks and to Guangzhou Ring Road), the total travelling distance from Hong Kong to Guangzhou via the GS Superhighway or the Coastal Expressway differs by about 5%. More specifically, when one compares the entire length of the Coastal Expressway (from its starting point to its ending point) with that of the corresponding section of the GS Superhighway (i.e. the section between Huochun and Nantou), the travelling distances via both routes are also nearly the same. Moreover, the tariff rate for all expressways in Guangdong with 6 or more lanes has been the same since the Tariff Proposal's implementation in June 2012. Thus, there is no difference between the tariff rates of the GS Superhighway and the Coastal Expressway.

In fact, the GS Superhighway remains a more competitive option for road users. Its strategic geographical location offers convenient access to populous downtown areas and major expressways, whereas the Coastal Expressway is designed mainly to connect ports along the eastern shore of the PRD and to serve trucks destined for them. Thus, they attract different target customers. Together with Guangdong's continuous economic growth, HHI Group believes the GS Superhighway will maintain its leading position as the main traffic artery on the eastern bank of the PRD region.

Operating Environment

Economic Development

During the first half of 2013, the national GDP of China and Guangdong recorded steady growth of 7.6% and 8.5% respectively. National car sales showed signs of regaining their growth momentum, with sales increasing by 12% to more than 10 million vehicles in the first half of 2013. The healthy development of Guangdong's economy and the national car sales market will benefit HHI Group's expressways.

The economies of the three main cities on the western shore of the PRD region, namely Foshan, Zhongshan and Zhuhai continued to grow healthily. Their GDP increased by 9.5%, 9.5% and 9.8% respectively during the first half of 2013, all exceeding the national growth rate of 7.6%. Foshan is the third-largest economy in Guangdong Province, following Guangzhou and Shenzhen, with a GDP amounting to RMB671 billion in 2012. Meanwhile, a number of key logistics hubs, industrial bases, commercial centres and tourist spots will be developed near the Zhongshan section of the Western Delta Route under the Zhongshan's Twelfth Five-year Plan. These will create greater demand for transportation and bring new traffic to the Western Delta Route. In addition, the expressways connecting to the Western Delta Route in Zhuhai pass through the Nanping Science and Technology Industrial Park and Zhuhai Free Trade Zone, whose gross output value of industrial enterprises exceeded RMB80 billion in 2012. This adds another positive factor to the growth of traffic and the toll revenue of the Western Delta Route.

Hengqin Development

Hengqin in Zhuhai has become China's third State-level Strategic New Zone after Shanghai's Pudong District and Tianjin's Binhai area. It is being positioned as a new growth hub focusing on the development of business services, tourism, technological research and the cultural sector. Preferential treatment has been put in place in its Free Trade Zone to attract investment, and numerous key development projects, including commercial landmarks, hotels and tourist attractions, will be completed there in the coming few years. For instance, the first phase of Chimelong Ocean Kingdom, one of Hengqin's signature projects, is scheduled to open by the end of 2013. According to the media, this will be a world-class marine park with resorts and hotels facilities that will aim to attract more than 20 million tourists a year from around the world. Its opening and future expansion will further boost tourism in Hengqin and Zhuhai. The Western Delta Route, being the most direct and the shortest expressway from Guangzhou to Hengqin, will benefit from the increase in passenger flows and the demand for transportation created by the region's development.

The HZM Bridge

According to the media, construction of the HZM Bridge is progressing according to schedule and will be completed by the end of 2016. It will be connected with the expressway network in Zhuhai and the Western Delta Route, providing access to Macau, Hong Kong and the main cities on the western shore of the PRD. Its opening will further foster the region's economic integration and development and spur the growth of traffic on the Western Delta Route.

Guangdong Province Toll Integration

According to the Guangdong Provincial Government's requirements, the province's 4 toll integration sub-districts namely the Eastern, Western, Northern and Central Districts, in which the GS Superhighway and Western Delta Route are located, are planned to be integrated into a unified toll network by the end of 2013. That means all adjacent expressways in Guangdong are physically connected, and every vehicle travelling on expressways in Guangdong will only need to take one entry ticket at an expressway's entrance and pay all the toll charges for its entire trip at any other expressway's exit, without needing to stop when it travels on a series of connecting expressways. The toll revenues collected by all the expressways in Guangdong will be settled via Guangdong Unitoll Collection Incorporated ("Guangdong Unitoll"), which is the clearing house that centralises and manages toll data on a daily basis, by means of the toll integration settlement network. The GS Superhighway JV and the West Route JV will invest about RMB65 million in total to upgrade their toll systems and facilitate the implementation of the Guangdong toll integration. This capital investment will depreciate over 8 years. The integration measures will boost the efficiency of the province's toll expressways by shortening the time spent on collecting tolls and thus help to smooth the flow of traffic.

Toll-by-weight Scheme

As part of the Guangdong Provincial Government's plan to implement full toll integration, the toll-by-weight scheme will be implemented for trucks on all expressways in the Central District by October 2013, following its implementation in the Northern District in 2009 and the Eastern and Western Districts in 2011.

With reference to other toll integration sub-districts of Guangdong, the toll charges for passenger cars will be unaffected, and the tariff rates for Classes 3, 4 and 5 commercial trucks will remain unchanged at RMB1.2, RMB1.8 and RMB 2.1 per km respectively under the toll-by-weight scheme. Preferential arrangements will be made for fully unloaded and lightly-loaded trucks, for which the tariff rate will be one class lower. An additional toll based on the ratio of overloaded weights will be charged for overloaded trucks, whereas the standard tariff rate will be applicable to normally-loaded trucks. In the experience of expressways in other toll integration sub-districts in Guangdong, the toll revenues collected from trucks usually increased following the implementation of the toll-by-weight scheme. Given the comparatively small proportion of trucks that use the GS Superhighway and the Western Delta Route, its impact on their toll revenues may be neutral.

To implement the toll-by-weight scheme in accordance with the official schedule, the GS Superhighway JV and West Route JV will install additional weighing equipment at 38 and 12 toll lanes respectively, increasing the total number of lanes with weighing equipment to 68 and 20 respectively. The total investment cost for this will be less than RMB20 million, which will be depreciated over 8 years. The implementation of the toll-by-weight scheme is expected to help reduce the number of overloaded trucks and lower the damages these cause to HHI Group's expressways.

Mutual Recognition of Annual Tickets

Nine cities in the PRD region — Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing — began to recognise each other's annual tickets at the end of December 2012. That means vehicles bearing an annual ticket issued by one of the nine cities no longer need to pay a fee when they cross the boundaries between them. The change is expected to lower overall transportation costs and increase the traffic on roads within the PRD region, thereby boosting inter-city traffic along the GS Superhighway and the Western Delta Route.

Truck restriction in Guangzhou

In December 2012, the Guangzhou Municipal Government announced the implementation of restrictions on trucks that are not registered in Guangzhou and which weigh 15 tons or above. Such vehicles have been prohibited from travelling on the Guangzhou Ring Road between 07:00 and 20:00 for a one-year period starting 10 January 2013. The measure had insignificant impact on HHI Group's expressways during the past 6 months.

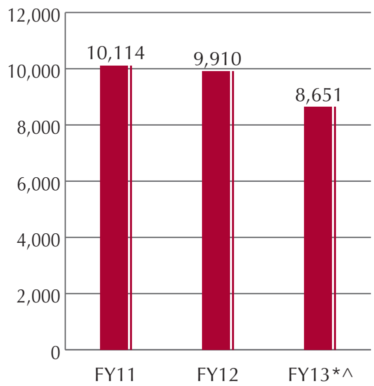
Guangzhou-Shenzhen Superhighway

Project Summary

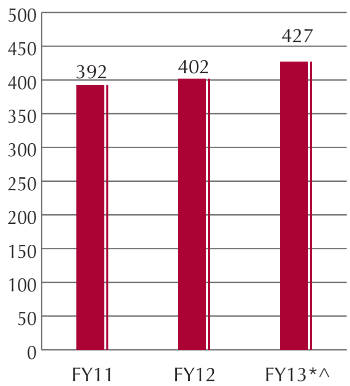
Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lanes	A total of 6 lanes in dual directions, except for certain sections being 10 lanes
Class	Expressway
Toll Collection Period	July 1997 – June 2027
Profit Sharing Ratio	Year 1 – 10: 50%; Year 11 – 20: 48%; Year 21 – 30: 45%

The GS Superhighway is the main expressway connecting the PRD region's three major cities — Guangzhou, Dongguan, Shenzhen and Hong Kong. During the year under review, its average daily toll revenue decreased by 13% year-on-year to RMB8.7 million, whereas its total toll revenue amounted to RMB3,157 million. Meanwhile, its average daily traffic volume increased by 6% to 427,000 vehicles. One full year after the implementation of the Tariff Proposal in June 2012 and Holiday Toll-free Policy, both the average daily traffic volume and average daily toll revenue of the GS Superhighway had returned to positive growth of 8% in June 2013.

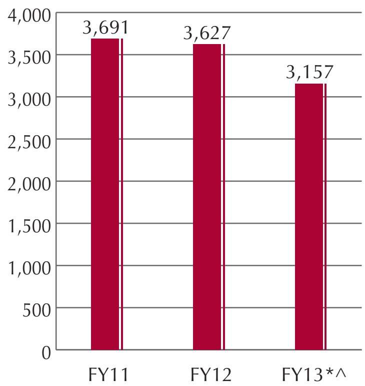
GS Superhighway Average Daily Toll Revenue
(RMB thousand)



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



GS Superhighway Annual Toll Revenue
(RMB million)



* Tariff cut was implemented since 1 June 2012

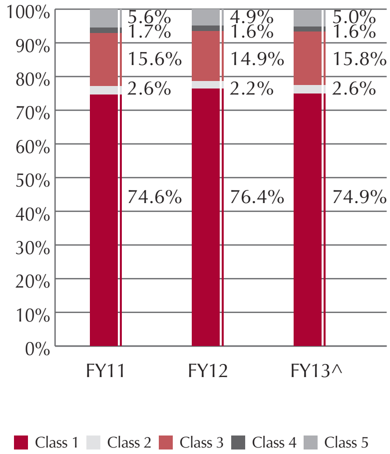
^ Holiday Toll-free Policy was implemented since 2 August 2012 for 21 days during the year under review

The impact of the Tariff Proposal on the toll revenue of the GS Superhighway stabilised within two months since its implementation on 1 June 2012. After an initial drop, the GS Superhighway's average daily toll revenue recovered from RMB8.3 million in June 2012 to around RMB9 million in June 2013, despite the subsequent implementation of Holiday Toll-free Policy. The average toll revenue per vehicle per km fell by 10%, from RMB0.87 to RMB0.79, mainly due to the reduced tariff rate for vehicles in Classes 2 to 5.

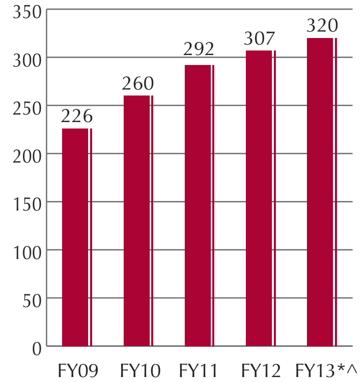
The average daily traffic of all classes of vehicles on the GS Superhighway grew during the year under review. The unremitting growth of passenger car sales in Guangdong led to a continuous increase in Class 1 small car traffic, which reached a historical high level, accounting for 74.9% of the GS Superhighway's total traffic volume and contributing 57% to its total toll revenue. The decrease in its average daily toll revenue by 6% to RMB4.9 million during the year under review was mainly due to the implementation of the Holiday Toll-free Policy, which exempted small cars with 7 or fewer seats from toll charges. Moreover, the average travelling distance of Class 1 small cars also decreased.

The average daily traffic volume of Classes 4 and 5 commercial trucks continued to grow, due to greater price sensitivity in response to the tariff cut implemented on 1 June 2012. However, the tariff cut also led to a fall in the average daily toll revenue by 12% to RMB1.4 million.

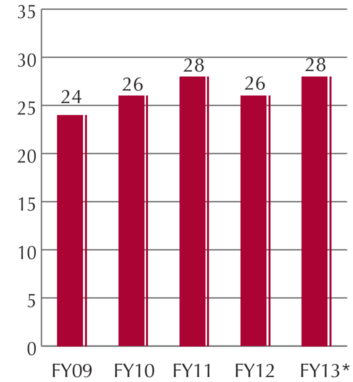
GS Superhighway Traffic Breakdown by Class



GS Superhighway Class 1 – Average Daily Traffic (FY09-FY13)
(No. of vehicles in thousand)



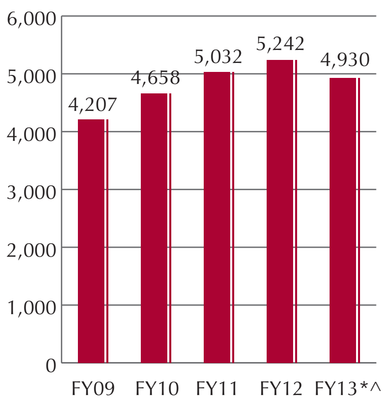
GS Superhighway Class 4 & 5 – Average Daily Traffic (FY09-FY13)
(No. of vehicles in thousand)



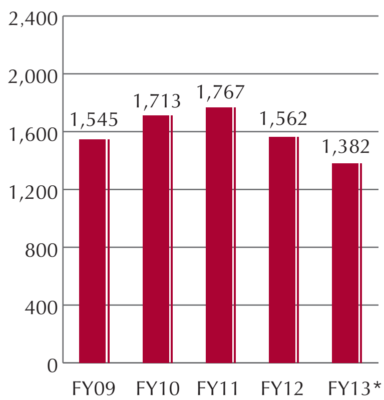
* Tariff cut was implemented since 1 June 2012

^ Holiday Toll-free Policy was implemented since 2 August 2012 for 21 days during the year under review

GS Superhighway Class 1 – Average Daily Toll Reveune (FY09-FY13)
(RMB thousand)



GS Superhighway Class 4 & 5 – Average Daily Toll Reveune (FY09-FY13)
(RMB thousand)

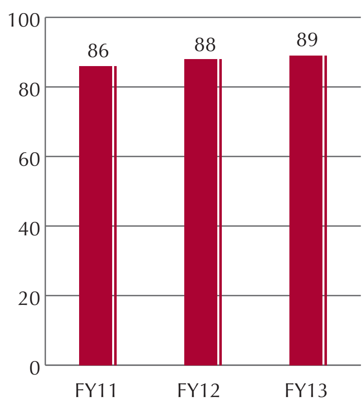


* Tariff cut was implemented since 1 June 2012

^ Holiday Toll-free Policy was implemented since 2 August 2012 for 21 days during the year under review

During the year under review, the average daily full-length equivalent traffic volume for the GS Superhighway increased by 2% year-on-year to 89,000 vehicles, which was similar to the previous year's level. This indicates there is still room for traffic to grow on the GS Superhighway.

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



As mentioned earlier in the section headed "Partial Opening of a Parallel Road", the 41-km Guangzhou-Dongguan section of the Coastal Expressway opened in mid-January 2012. But its impact on the GS Superhighway has been minimal over the past 18 months. The average daily traffic volume on the GS Superhighway increased by 6% year-on-year during the year under review. The GS Superhighway is comparable in length and it charges the same tariff rate as the Coastal Expressway. However, the two have different target customers, and the GS Superhighway offers a number of competitive advantages, such as convenient access to populous downtown areas, well-equipped facilities, and high-quality services. Together with the GS Superhighway's efficient patrol and rescue team and the continuous growth of Guangdong's economy, these factors lead HHI Group to believe that the GS Superhighway will maintain its leading position as the main traffic artery on the eastern bank of the PRD region. According to the latest media reports, the entire Coastal Expressway will be completed by the end of September 2013.

A new interchange on the Changhu Expressway, which directly connects to the GS Superhighway at Xinluen, was opened in January 2013. The new connection provides an alternative entry/exit point for by-pass traffic between the GS Superhighway's Taiping interchange and Changhu Expressway, and it has helped to ease traffic congestion on the section between the Taiping and Wudianmei interchanges during peak hours.

Shenzhen Baoan International Airport will be expanded by the opening of a new passenger terminal located near the Hezhou interchange in late 2013. The Hezhou interchange has been temporarily closed for reconstruction from January to October 2013, in order to facilitate the construction of a smooth and convenient connection road with the new passenger terminal. During this period, vehicles travelling to and fro the Hezhou interchange needed to enter and exit via adjacent interchanges of the GS Superhighway. The temporary closure of the Hezhou interchange has a minimal impact on the GS Superhighway. As soon as the reconstruction is completed, the Hezhou interchange will become the most convenient hub for traffic between downtown Shenzhen and Shenzhen Baoan International Airport, and the GS Superhighway will benefit from the increased volume of passengers and freight arising.

The outer beam of a river bridge near the Machong interchange underwent repair between April and July 2013, after an over-height vessel accidentally hit it in April 2013. During this period, traffic was slightly affected. The repair was completed on 25 July 2013.

The GS Superhighway JV has been making incessant progress in increasing its operational efficiency and its ability to cope with increasing traffic by installing automated equipment. Around 60% of all the toll lanes at entrances to the GS Superhighway are either installed with ETC or automatic card-issuing machines. This makes it the expressway with the highest number of ETC lanes in Guangdong. Also the automated equipment helps to maintain the number of toll collectors at a reasonable level and regulate the GS Superhighway JV's operating costs.

The GS Superhighway JV has also made great efforts to protect the environment. Energy-saving LED lights have been installed at all of its toll plazas, and the installation of LED lights along its entire main alignment was completed in May 2013. These measures help to reduce its energy consumption.

Phase I of the Western Delta Route

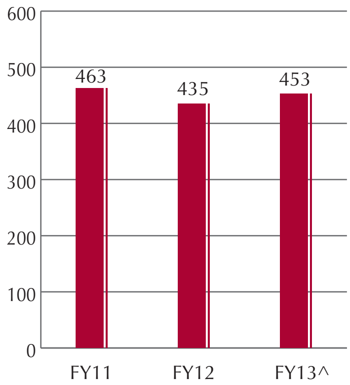
Project Summary

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%

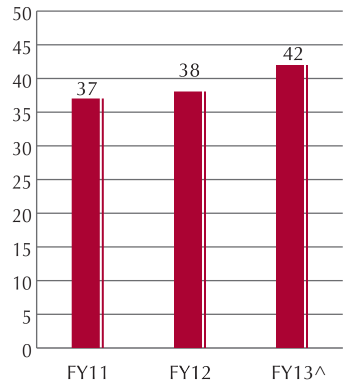
A 14.7-km closed expressway with a total of 6 lanes in dual directions, Phase I West connects with the Guangzhou East-South-West Ring Road to the north, and Phase II West and National Highway 105 at Shunde to the south. Phase I West and Phase II West form the main expressway between Guangzhou and downtown Zhongshan, and they have reduced the traveling time between the two cities from one hour via local roads to approximately 30 minutes. As the northern part of the Western Delta Route, Phase I West's synergy with Phase II West and Phase III West as well as the on-going economic growth of Foshan will continue to drive the growth of its traffic volume and toll revenue.

The traffic volume and toll revenue of Phase I West grew steadily, mainly due to a rise in the number of Class 1 small cars using it. Its average daily traffic volume increased by 13% year-on-year to 42,000 vehicles, whereas its average daily toll revenue increased by 4% to RMB453,000. Its total toll revenue amounted to RMB165 million during the year under review.

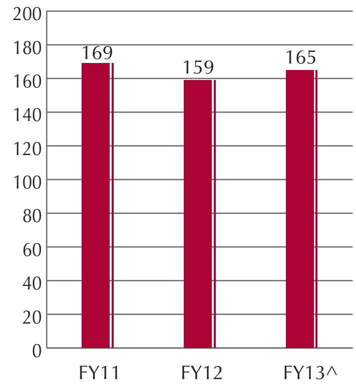
Phase I West Average Daily Toll Revenue
(RMB thousand)



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



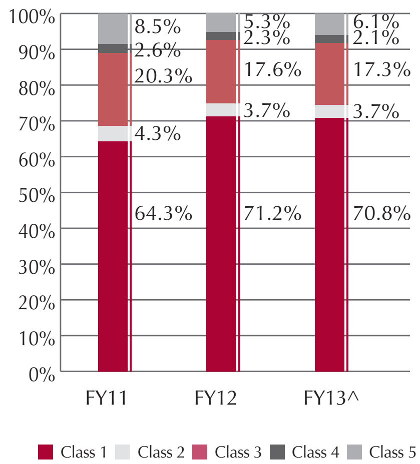
Phase I West Annual Toll Revenue
(RMB million)



^ Holiday Toll-free Policy was implemented since 2 August 2012 for 21 days during the year under review

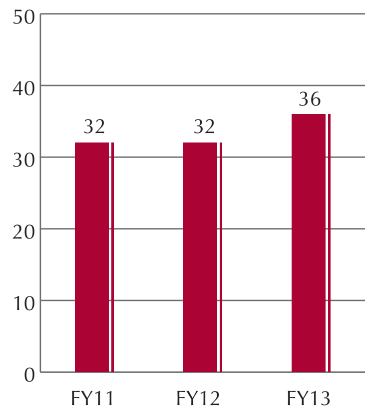
The traffic and toll revenue for Class 1 small cars continued to grow. These accounted for 70.8% of Phase I West's total traffic volume. Meanwhile, the traffic and toll revenue for Classes 4 and 5 vehicles also picked up after traffic restriction measures that prohibited trucks over 15 tons from using Yajisha Bridge on the Guangzhou East-South-West Ring Road were lifted at the end of December 2011. However, they did not return to the levels seen before the restriction measures were imposed. That was mainly due to the removal of the toll station on National Highway 105 near Phase I West's Bijiang interchange in January 2012, and the fact that the section of National Highway 105 between Guangzhou and Bijiang has become toll-free since then. Some trucks that previously used Phase I West to travel to and fro Guangzhou may have diverted to National Highway 105. The rebound in the traffic and toll revenue of Classes 4 and 5 vehicles caused the average toll revenue per vehicle per km of Phase I West to increase by 1%, from RMB0.8 to RMB0.81 year-on-year. The average daily full-length equivalent traffic on Phase I West amounted to 36,000 vehicles, which represents a growth of 12%.

Phase I West Traffic Breakdown by Class



Phase I West Average Daily Full Length Equivalent Traffic

(No. of vehicles in thousand)



^ Holiday Toll-free Policy was implemented since 2 August 2012 for 21 days during the year under review

In December 2012, the Guangzhou Municipal Government announced the imposition of restrictions on trucks not registered in Guangzhou and weighing 15 tons or above. These have been prohibited from travelling on the Guangzhou Ring Road between 07:00 and 20:00 for one year commencing 10 January 2013. The impact of this measure on Phase I West has been minimal. The Guangzhou Municipal Government is also currently considering the imposition of other traffic restrictions on vehicles not registered in Guangzhou during busy hours. However, the date and details of their implementation have not yet been announced. HHI Group will continue to monitor the situation, and it believes the impact on Phase I West will be minimal.

Phase II of the Western Delta Route

Project Summary

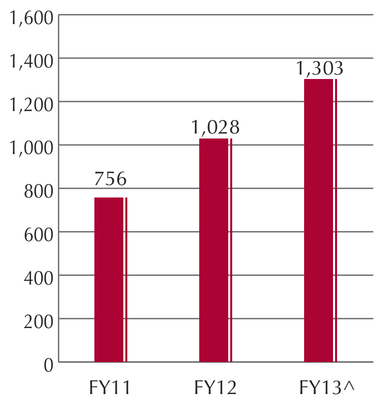
Location	Shunde to Zhongshan, Guangdong, PRC
Length	45.5 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	June 2010 – June 2035
Profit Sharing Ratio	50%

A 45.5-km closed expressway with a total of 6 lanes in dual directions, Phase II West is connected to Phase I West at Shunde to the north and Phase III West at Zhongshan to the south. It is also interconnected with National Highway 105, Guangzhou Southern Second Ring Road and the Jiangmen-Zhongshan Expressway, and it has a direct connection to downtown Zhongshan at its southern end. Moreover, the opening of Phase III West on 25 January 2013 means the entire Western Delta Route has now been completed. The synergy between Phase II West and Phase III West will further boost the growth of the traffic volume on Phase II West, as well as its toll revenue.

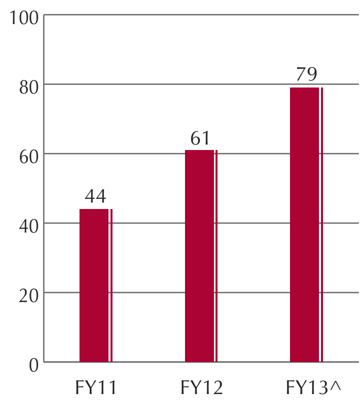
In addition, the Guangdong Provincial Government granted its approval for Phase II West's 25-year toll collection period during the year under review.

The traffic volume and toll revenue of Phase II West have continued to grow strongly ever since it opened in June 2010. During the year under review, its average daily traffic volume rose by 30% to 79,000 vehicles, whereas its average daily toll revenue grew by 27% to RMB1,303,000. Its total toll revenue for the year amounted to RMB476 million. Class 1 small cars were the main contributors, accounting for 72.9% of the total traffic volume. The average toll revenue per vehicle per km remained at the previous year's level of RMB0.79, whereas the average daily full-length equivalent traffic on Phase II West amounted to 35,000 vehicles, representing a year-on-year growth of 27%.

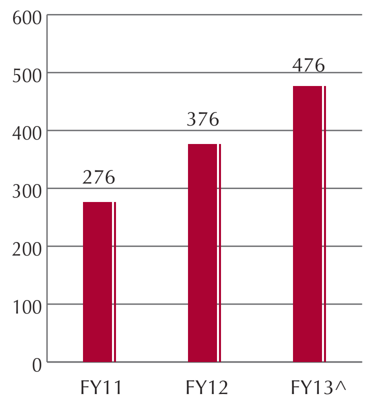
Phase II West Average Daily Toll Revenue
(RMB thousand)



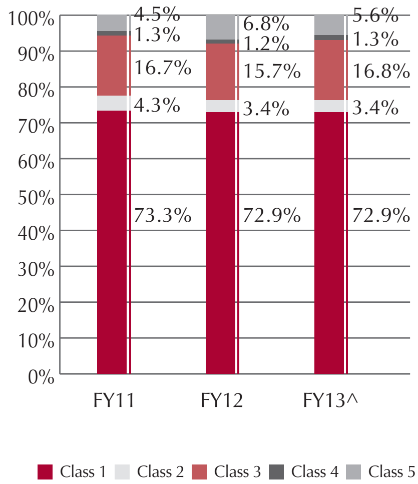
Phase II West Average Daily Traffic
(No. of vehicles in thousand)



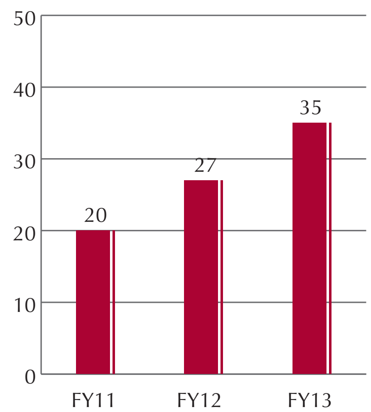
Phase II West Annual Toll Revenue
(RMB million)



Phase II West Traffic Breakdown by Class



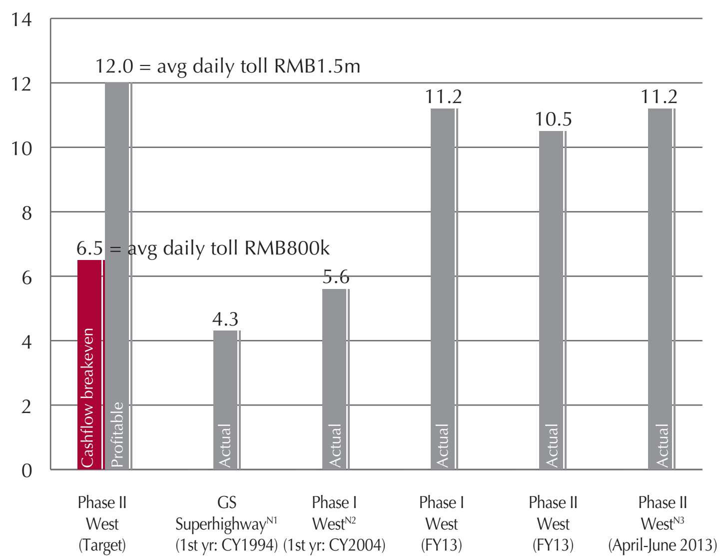
Phase II West Average Daily Full Length Equivalent Traffic
(No. of vehicles in thousand)



^ Holiday Toll-free Policy was implemented since 2 August 2012 for 21 days during the year under review

By the second half of FY11, Phase II West's toll revenue had achieved HHI Group's target of achieving operating cash flow breakeven (after taking interest expense payments into account) i.e. average daily toll revenue of RMB800,000 during its first year of operation. In fact, Phase II West continued to exceed this target, recording a net cash inflow from operations and after taking interest expense payments into account, plus a 27% increase in EBITDA, during the year under review. Its average daily toll revenue has exceeded RMB1.4 million since January 2013 (except during the months when the Holiday Toll-free Policy was in force). In July 2013, the average daily toll revenue of Phase II West achieved its RMB1.5 million profit breakeven level for the first time.

Annual Toll Revenue per km
(RMB'm)



N1: Annualised figure for CY94 (GS Superhighway started operation on 18 July 1994)
N2: Annualised figure for CY04 (Phase I West started operation on 30 April 2004)
N3: Annualised figure for April-June 2013

The relevant PRC authorities are currently processing the West Route JV's application to increase the investment in Phase II West to RMB7,200 million. Once approval for this has been obtained, additional registered capital can be injected into the West Route JV by the PRC partner and HHI on a 50:50 basis and additional project bank loans can be borrowed. To settle the outstanding project payments for Phase II West and to use its internal resources efficiently, HHI advanced shareholder's loans for a total of RMB1,000 million to the West Route JV in December 2012 and January 2013, as interim financing for Phase II West. This enabled the West Route JV to repay in December 2012 the intercompany borrowings of RMB731 million that the GS Superhighway JV had previously provided, together with the interest incurred. The remaining outstanding project payments of not more than RMB500 million may be funded by HHI's shareholder's loan.

Phase III of the Western Delta Route

Project Summary

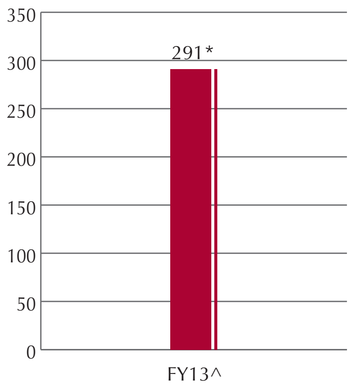
Location	Zhongshan to Zhuhai, Guangdong, PRC
Length	37.7 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	January 2013 – January 2038
Profit Sharing Ratio	50%

Phase III West commenced operation on 25 January 2013, earlier than originally scheduled. It is a 37.7-km closed expressway with a total of 6 lanes in dual directions. Connected to Phase II West at Zhongshan to the north, it extends southwards to link with the Zhuhai expressway network, thus providing direct access to Hengqin (the State-level Strategic New Zone) in Zhuhai, Macau, and the HZM Bridge, which is under construction. It also provides the most direct and convenient expressway link between the city centres of Zhongshan and Zhuhai.

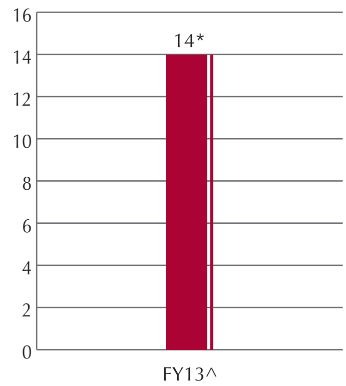
The opening of Phase III West marks the completion of the entire Western Delta Route, which has a total length of 97.9 km. It provides new momentum for HHI Group's revenue growth and it increases the total length of toll expressways in which HHI has invested by 20% to around 220 km. The Western Delta Route forms the only expressway artery in the regional expressway network on the western bank of the PRD region, and links its most prosperous and populous cities, including Guangzhou, Foshan, Zhongshan and Zhuhai. It will also offer direct access to the Hengqin State-level Strategic New Zone, Macau and Hong Kong via its connection with the HZM Bridge, which is planned to open by the end of 2016. The Western Delta Route has also substantially reduced the traveling time between Guangzhou and Zhuhai from more than 2 hours via existing local roads to approximately one hour. Moreover, running along the central axis, being the heart of the western bank of the PRD region, the Western Delta Route is well connected with the region's expressway network, including the Guangzhou Ring Road, Guangzhou-Gaoming Expressway, Guangzhou Southern Second Ring Road, Zhongshan-Jiangmen Expressway, Western Coastal Expressway, and the expressway that will link Hengqin and the HZM Bridge. It will thus help to stimulate the region's economic integration and growth.

Performance of Phase III West is encouraging. The traffic volume and toll revenue have grown continuously. Between its opening and 30 June 2013, the average daily traffic volume and average daily toll revenue of Phase III West amounted to 14,000 vehicles and RMB291,000 respectively and reached 18,000 vehicles and RMB376,000 respectively in July 2013. The synergy between Phase I West, Phase II West and Phase III West is expected to stimulate a persistent growth of Phase III West's traffic volume and toll revenue.

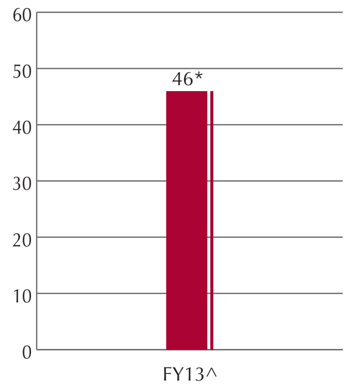
Phase III West Average Daily Toll Revenue
(RMB thousand)



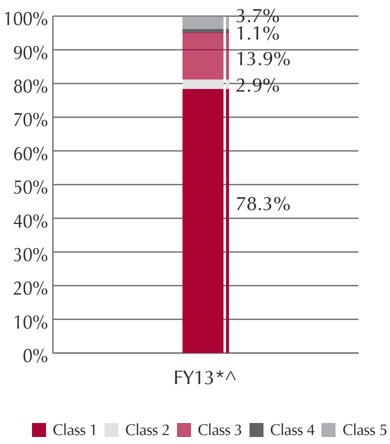
Phase III West Average Daily Traffic
(No. of vehicles in thousand)



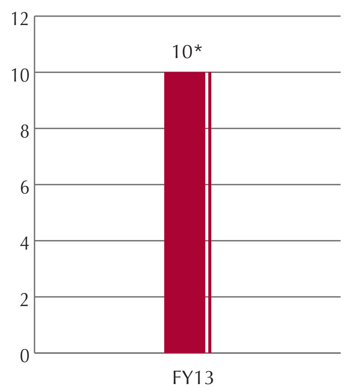
Phase III West Annual Toll Revenue
(RMB million)



Phase III West Traffic Breakdown by Class



Phase III West Average Daily Full Length Equivalent Traffic
(No. of vehicles in thousand)



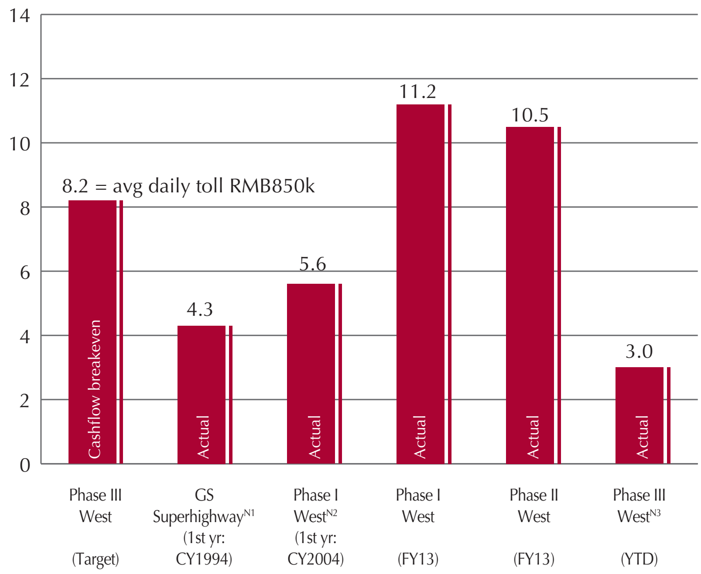
* Phase III West was opened on 25 January 2013

^ Holiday Toll-free Policy was implemented since 2 August 2012 for 13 days during the year under review

Based on the annual toll revenues and expenses of the GS Superhighway, Phase I West and Phase II West during their first full year of operation, HHI Group expects that Phase III West's toll revenue will achieve its operating cash flow breakeven target (after taking interest expense payment into account) once its average daily toll revenue reaches RMB850,000 (the equivalent of annual toll revenue of RMB8.2 million per km) within the next 2 years. Following the completion of Phase III West in January 2013, the West Route JV is targeted to become profitable during the second half of FY15.

Annual Toll Revenue per km

(RMB'm)



N1: Annualised figure for CY94 (GS Superhighway started operation on 18 July 1994)
N2: Annualised figure for CY04 (Phase I West started operation on 30 April 2004)
N3: Annualised figure from 25 January 2013 to 31 July 2013

The Guangdong Provincial Government has approved the 25-year toll collection period of Phase III West. On the other hand, the planned total investment for Phase III West could increase from RMB5,600 million to up to RMB6,150 million, mainly because land costs may be higher than expected. The remaining project payments of not more than RMB440 million (based on a planned total investment cost of up to RMB6,150 million) will be funded by available PRC project bank loans and HHI's shareholder's loan.

B. Power

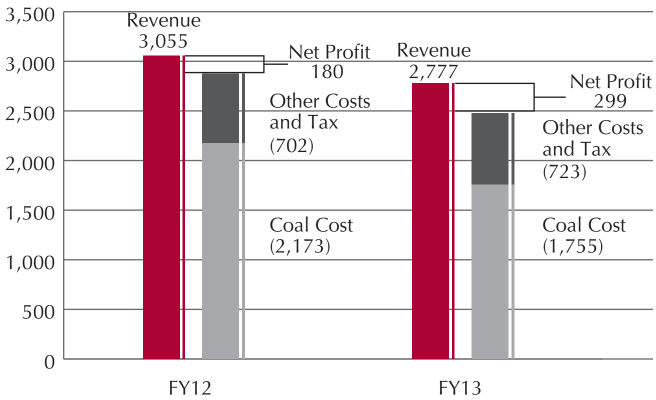
Heyuan Power Plant Phase I

Project Description

Location	Heyuan City, Guangdong Province, PRC
Installed Capacity	2 x 600MW
HHL's stake	35%
JV partner	Shenzhen Energy Group
Total investment	RMB 4.7 billion (As per final account)
Status	Both units are operational

Key operating data	FY12	**FY13**
Gross Generation	7,400 GWh	**6,600 GWh**
Utilisation rate[N1] (hours)	70% (6,175 hrs)	**63%** **(5,520 hrs)**
Availability factor[N2]	87%	**91%**
No. of days in which Daily Utilisation rate[N3]>80%	154 days	**36 days**
Average on-grid tariff rate (excluding VAT) (RMB/MWh)	436.7	**445.3**
Approximate cost of coal (5,500 kcal/kg) (including transportation cost and excluding VAT) (RMB/ton)	785	**705**

Joint-Venture Level 100%
(RMB million)



	FY12 RMB'M	FY13 RMB'M
Revenue	3,055	2,777
Coal cost	(2,173)	(1,755)
Other costs and tax	(702)	(723)
Net profit	180	299
HHL's share*		
— Revenue	1,222	1,111
— Net profit	72	120

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

N1: Utilisation rate = $\dfrac{\text{Gross generation during the year under review}}{\text{Total number of hours during the year under review X Installed capacity}}$

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

N3: Daily Utilisation rate = $\dfrac{\text{Daily electricity generation during the year under review}}{\text{24 hours X Installed capacity}}$

Heyuan Power Plant is one of Guangdong Province's most efficient and environmentally friendly coal-fired power plants. It is also the first in China to be equipped with a flue gas desulphurisation wastewater treatment system.

During the year under review, the plant's utilisation rate decreased primarily due to weak growth in the demand for power as a result of the slowdown of China's economic growth, and an increase in hydropower generation as a consequence of abundant rainfall. However, its net profit increased by 66% to RMB299 million, as much of the impact of decrease in utilisation was offset by a decrease in the cost of coal and an increase in the on-grid electricity tariff. As a result, its net profit margin increased from 6% to 11%.

The plant's financial performance is sensitive to fluctuations in the price of coal. The National Development and Reform Commission ("NDRC") announced that the dual-track coal pricing system was cancelled, and all key coal purchase contracts between power generation companies and coal suppliers were terminated with effect from 1 January 2013. The NDRC also announced that once coal price fluctuates for more than 5% on an annual basis, on-grid electricity tariff would be adjusted accordingly. The Heyuan JV will continue to endeavour to formulate and implement suitable cost-control strategies and measures.

As of 30 June 2013, the Heyuan JV had repaid RMB1.26 billion or 49% of the original project debt (including shareholder's loans) of RMB2.55 billion, the total outstanding project debt was RMB1.29 billion, including the shareholder's loans of RMB500 million provided by the Group. The shareholder's loans provided to the Heyuan JV increase its financial resources and reduce its finance costs.

Guangdong Province's on-going economic growth indicates that the electricity demand will remain strong in the long run. The Group therefore expects the plant will continue to provide relatively stable profit contributions.

Heyuan Power Plant Phase II

The Heyuan JV is currently studying a second phase of Heyuan Power Plant — development of 2 x 1,000MW coal-fired power plants. A feasibility study has been submitted to the relevant PRC authorities, and the Heyuan JV is currently applying for approvals from relevant PRC authorities.

Renewable Power

As disclosed in the Interim Report, the Group has terminated its research on wind power and ocean current power development as the research would require enormous resources and take a long time to develop the technology, which would not be in line with the direction for the Group's future development.

Financial Review

Group Results

Overview

The Group's EBIT grew significantly during the year ended 30 June 2013 compared to the previous year. A land conversion gain of approximately HK$2.2 billion was recorded in respect of the commercial portion of Hopewell Centre II during the year, following the commencement of the project's development. The EBIT of the property letting, agency and management operation, and the hotel, restaurant and catering operation continued to grow solidly. The increased profit of the Heyuan Power Plant also contributed to the Group's EBIT. However, those EBIT increases were partly offset by a fall in the GS Superhighway's earnings, due to a tariff cut.

The Group's revenue for the year ended 30 June 2013 decreased by 6% from the previous year's figure. Meanwhile, the revenue from its investment properties and hospitality businesses continued to grow healthily. However, this growth was offset by a decrease in the recognition of sales of residential units of Broadwood Twelve and Hopewell New Town, and a fall in toll revenue, due to a tariff cut.

The Group's revenue by activities and their respective EBIT for year ended 30 June 2013 were as follows:

	Revenue		EBIT *	
HK$ million	2012	**2013**	2012	**2013**
Property letting, agency and management	707	**798**	445	**509**
Hotel, restaurant and catering operation	461	**462**	130	**145**
Investment properties and hospitality sub-total	1,168	**1,260**	575	**654**
Property development	1,267	**1,009**	335	**222**
Toll road investment (after interest and tax of JCEs)	2,386	**2,244**	1,036	**749**
Power plant (after interest and tax of JCE)	1,493	**1,378**	86	**146**
Treasury income	246	**257**	246	**257**
Others	–	**–**	(142)	**(127)**
Revenue/EBIT (before land conversion gain of Hopewell Centre II**)	6,560	**6,148**	2,136	**1,901**
Land conversion gain of Hopewell Centre II	–	**–**	–	**2,249**
Revenue/EBIT (Note)	6,560	**6,148**	2,136	**4,150**

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

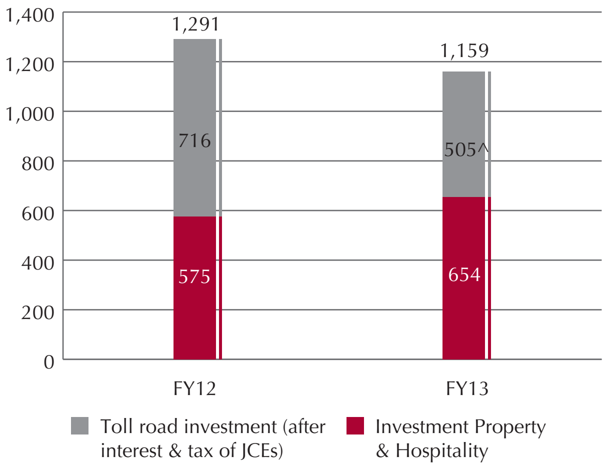
** Land conversion gain refers to the initial fair value gain arising from the conversion of bare land to a revenue generating asset (Hopewell Centre II land conversion)

Note:
Reconciliation of Revenue/EBIT with Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Results	
HK$ million	2012	**2013**
Earnings before interest and tax	2,136	**4,150**
Finance costs	(92)	**(107)**
Exceptional item	20	**–**
Fair value gain of completed investment properties	2,264	**8,725**
Profit before taxation	4,328	**12,768**
Taxation	(365)	**(295)**
Profit for the year	3,963	**12,473**
Attributable to:		
Owners of the Company	3,631	**12,206**
Non-controlling interests	332	**267**
	3,963	**12,473**

	Turnover	
HK$ million	2012	**2013**
Revenue per Financial Review	6,560	**6,148**
Less:		
Sales proceeds of Broadwood Twelve units	(677)	**(544)**
Treasury income	(246)	**(257)**
Share of revenues of JCEs engaged in		
— Toll road investment	(2,386)	**(2,244)**
— Power plant	(1,493)	**(1,378)**
Turnover per Consolidated Statement of Profit or Loss and Other Comprehensive Income	1,758	**1,725**

Operating Profit* from Prime-Earning Businesses (HK$m)



* Being the EBIT net of the proportional share by non-controlling interests

^ Tariff cut in Guangdong since 1 June 2012

Revenue

The Group's revenue for the year ended 30 June 2013, including sales proceeds of investment properties held for sale (i.e. Broadwood Twelve), treasury income and the share of revenues of JCEs engaged in toll road and power plant operations attributable to the Group, amounted to HK$6,148 million, which was 6% less than the HK$6,560 million reported for the previous financial year.

The Group's investment property letting, agency and management division and its hospitality businesses continued to show robust growth. However, this growth was offset by a fall in the toll revenue of GS Superhighway as a result of the implementation of a tariff cut in Guangdong Province since 1 June 2012, as well as the recognition of fewer sales of residential units of Broadwood Twelve and Hopewell New Town projects during the year. The Group's total revenue declined as a result.

Earnings before Interest and Tax

The Group's EBIT increased by 94% to HK$4,150 million from the previous year's HK$2,136 million. The strong EBIT growth was primarily due to the land conversion gain for Hopewell Centre II. As disclosed in the Interim Report, the Group obtained possession of the site for the development of the Hopewell Centre II project in October 2012, thus unlocking its hidden land value. A land conversion gain in respect of the commercial portion amounting to HK$2,249 million was recognised in the consolidated financial statements during the year.

Excluding the one-off land conversion gain for Hopewell Centre II, the Group's EBIT fell by 11% to HK$1,901 million from HK$2,136 million. This was mainly because the fall in the GS Superhighway's earnings due to a tariff cut in Guangdong outweighed the continuing growth of the Group's investment properties and hospitality businesses, and the higher profit of Heyuan Power Plant resulting from a decrease in the price of coal and a rise in its tariff during the year.

Fair value gain of completed investment properties

During the year, the Group's completed investment properties recorded a significant revaluation gain of HK$8.7 billion, which was principally due to increases in the fair value of Hopewell Centre, KITEC (including E-Max) and Panda Place of HK$3.7 billion, HK$3.3 billion and HK$0.9 billion, respectively. These increases were driven mainly by the improved rental performance of the properties as the result of on-going asset enhancements, marketing and brand-building efforts, upgrades of their facilities and services, refinement of their tenant mix and improvements to their connectivity with surrounding areas that are undergoing facelifts.

Exceptional Item

The exceptional item for the previous year represented a gain on the disposal of a non-core food processing and wholesaling business.

Enterprise Income Tax ("EIT") of HHI joint ventures

The tax concessions for both the GS Superhighway and Phase I West were adjusted following the PRC's 2008 tax reform, and their EIT rates were increased incrementally to 25%. The rates applicable to the GS Superhighway and Phase I West rose from 24% in 2011 to 25% in 2012. The EIT rate for the GS Superhighway and Phase I West will remain at 25% until the expiry of their contractual operation periods. These increases in the EIT liabilities of the JV companies did not have a significant impact on the Group's results during the year. Phase II West was exempt from EIT from 2010 to 2012. Its applicable rate from 2013 to 2015 is 12.5%, which will rise to 25% from 2016 until the expiry of its contractual operation period. Phase III West is exempt from EIT from 2013 to 2015. Its applicable rate from 2016 to 2018 will be 12.5%, and it will rise to 25% from 2019 until the expiry of its contractual operation period.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the year rose by 236% year-on-year, from HK$3,631 million to HK$12,206 million. This was mainly due to the land conversion gain of Hopewell Centre II and an increase in the fair value gain of completed investment properties recorded for the year. Excluding the land conversion gain, the fair value gain of the Group's completed investment properties and the exceptional item, the core profit attributable to owners of the Company during the year was HK$1,231 million, a decrease of HK$116 million or 9% from the HK$1,347 million recorded for the previous financial year.

Major Assets in Balance Sheet

As at 30 June 2013 (HK$ in million)	HHI Business	HHL-Other Businesses	**HHL Group Total**	Major Assets in Balance Sheet
Completed investment properties	–	26,320	**26,320**	• GFA of investment properties: Hopewell Centre 840,000 sq.ft.; KITEC/E-Max 1,775,000 sq.ft.; Panda Place 229,000 sq.ft.; GardenEast 96,500 sq.ft. QRE Plaza 77,000 sq.ft.; Wu Chung House retail 17,670 sq.ft.
Property, plant and equipment	1	685	**686**	• Include Panda Hotel (911 rooms)
Properties under/for development	–	7,393	**7,393**	• Include Hopewell Centre II (GFA 1.1 million sq.ft.)
Interests in JCE	8,154	1,023	**9,177**	• Toll Road JV • Heyuan Power Plant
Amounts due from JCE (non-current)	1,263	2,250	**3,513**	• Amount injected in 200 Queen's Road East Project (attributable GFA: 418,000 sq.ft.) • Shareholder's loan to Phase II West
Other non-current assets	6	35	**41**	
Properties held for sale	–	1,676	**1,676**	• Hopewell New Town (GFA of stock: residential 616,600 sq.m.; commercial & others 201,900 sq.m.) • Broadwood Twelve (Saleable area of stock: 21,759 sq.ft.)
Amounts due from JCE (current)	58	632	**690**	• Shareholder's loan: Heyuan Power Plant, Phase III West
Bank balances and cash	1,870	3,487	**5,357**	
Other current assets	227	324	**551**	
Total assets	**11,579**	**43,825**	**55,404**	
Corporate bonds & bank borrowings	(1,518)	(5,659)	**(7,177)**	• Corporate bank loans — HHL (RMB300 million & HK$5,280 million) — HHI (RMB500 million & HK$129 million) • HHI RMB600 million corporate bonds
— *Current*	*(886)*	*(2,079)*	**(2,965)**	
— *Non-current*	*(632)*	*(3,580)*	**(4,212)**	
Other non-current liabilities	(167)	(338)	**(505)**	
Other current liabilities	(16)	(1,194)	**(1,210)**	
Total liabilities	**(1,701)**	**(7,191)**	**(8,892)**	
Non-controlling interests	**(3,148)**	**(121)**	**(3,269)**	• Equity held by minority shareholders (HHI 31.9%; Heyuan 12.5%)
Shareholders' equity	**6,730**	**36,513**	**43,243**	• HHI (listed, 68.1%), market value HK$7.8 billion*

* Based on closing price of HK$3.72 as of 13 August 2013

Liquidity and Financial Resources

As of 30 June 2013, the cash position and available committed banking facilities of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	30 June 2012	**30 June 2013**
Cash	3,394	**3,487**
Available Committed Banking Facilities	5,620	**1,420**
Cash and Available Committed Banking Facilities	9,014	**4,907**

As of 30 June 2013, the cash balance of HHL and its subsidiaries (excluding the HHI Group) amounted to HK$3,487 million. This included RMB2,125 million (equal to HK$2,684 million) and HK$803 million.

The net debt position of HHL and its subsidiaries, which represents the cash balance after deducting bank loans totalling HK$5,659 million, was HK$2,172 million. The Group ended the year in a net debt position for the first time since 2003, mainly due to the payment of the land premium for Hopewell Centre II in October 2012.

As of 30 June 2013, the gearing ratio and debt to total asset ratios of HHL and its subsidiaries (excluding the HHI Group) were as follows:

HK$ million	30 June 2012	**30 June 2013**
Total debt	1,746	**5,659**
Net debt (Note 1)	Net Cash	**2,172**
Total assets	28,505	**43,825**
Shareholders' equity (excluding equity shared from HHI Group)	25,273	**36,513**
Total debt/total assets ratio	6%	**13%**
Net gearing ratio (Note 2)	Net cash	**6%**

Note 1: Net debt is defined as total debts less bank balances and cash

Note 2: Net gearing ratio is calculated by dividing the net debt by Shareholders' equity (excluding equity shared from HHI Group)

The Group expects that its strong financial resources will be sufficient to meet the funding requirements of the projects it is currently developing. It currently plans to spend a total of approximately HK$3.7 billion on these projects between FY14 and FY16. The Group's cash on hand and available committed banking facilities, together with the healthy cash flow from its prime-earning businesses and proceeds from sales or pre-sales of Broadwood Twelve, 200 Queen's Road East and Hopewell New Town projects, should provide adequate funding for the projects it 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 FY14 to FY16[N1] HK$'M
Hong Kong					
200 Queen's Road East	2015	9,000	50%	4,500	0[N2]
Hopewell Centre II	2018	9,000	100%	9,000	1,860 (FY14: 200, FY15: 540, FY16: 1,120)
PRC					
Hopewell New Town					
Residential portion (with shops)					
• 59,000 m²	FY14	400		380	
• 43,000 m²	FY15	244	95%	232	967
• 61,000 m²	FY16	374		355	
Commercial strip					
• 150,000 m²	FY17	1,263		1,200	568
Liede Project	2016	1,263	Operating Lease	1,263	290
Total				**16,930**	**3,685**

Based on exchange rate RMB1 = HK$1.263 (June 2013)
N1: Present planning, subject to change
N2: The investment is mainly financed by the project's bank loan

As at 30 June 2013, the HHI Group (consisting of HHI and its subsidiaries but excluding its JCEs) had a cash balance of RMB1,480 million, equal to HK$1,870 million. Taking into account the RMB600 million raised by HHI's RMB corporate bond issue in May 2011, and corporate loans of HK$760 million, that amounted to a total debt of HK$1,518 million. The HHI Group had net cash on hand of RMB278 million (equal to HK$352 million) at corporate level. The HHI Group's issue of RMB-traded shares in October 2012 raised net proceeds of RMB375 million. On 28 June 2013, the HHI Group used its internal resources to repay a RMB500 million bilateral loan to reduce its finance costs, and it arranged a three-year HK$300 million facility. The facility and its own internal resources will provide the HHI Group with sufficient financial resources to support its remaining funding requirement for the Western Delta Route.

Debt Maturity Profile of the Group

	30 June 2012 HK$ million		**30 June 2013 HK$ million**	
Repayable within 1 year	1,754	32%	**2,965**	**41%**
Repayable between 1 and 5 years	3,698	68%	**4,212**	**59%**
	5,452*		**7,177***	

* Including bank borrowings and corporate bond

During the year under review, the Group obtained committed bank facilities of an aggregate principal amount of HK$7,000 million to refinance bank borrowings drawn under a syndicated loan it had previously obtained. As at 30 June 2013, HK$1,420 million of the bank facilities remained undrawn.

Apart from the above-mentioned facilities, the Group had other available undrawn bank overdrafts and uncommitted banking facilities amounting to HK$450 million, as at 30 June 2013 (30 June 2012: HK$450 million).

In 2011, Grand Site Development Limited ("Grand Site"), a joint venture company with Sino Land Company Limited, successfully arranged a secured loan facility for an aggregate principal amount of up to HK$5,000 million to repay the land premium and construction costs of the 200 Queen's Road East Project. Its loan facilities are currently expected to be more than adequate to fund this project. Their maturity date will be the earlier of (a) 42 months from 8 July 2011 or (b) six months after the issuance of a certificate of compliance by the Director of Lands in respect of the 200 Queen's Road East Project.

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

Treasury Policies

The Group maintains prudent and conservative treasury policies with the objectives of minimising its finance costs and optimising the returns on its financial assets.

The Group did not have any arrangements to hedge its exposure to interest or exchange rates during the period under review. However, it will continue to monitor these forms of risk exposure closely and regularly.

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

Charges on Assets

The Group's equity interest in the 200 Queen's Road East Project has been pledged to the banks concerned in order to secure the banking facilities granted to the JCE for this project. The carrying amount of the pledged equity interest at the end of the reporting period was insignificant to the Group.

Project Commitments

Details of the project commitments are set out in note 37 to the consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities are set out in note 39 to the consolidated financial statements.

Material Acquisition or Disposal

The Group made no material acquisitions or disposals during the year.

Others

Employees and Remuneration Policies

The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Group's business performance. It provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 30 June 2013 the Group had 1,163 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family-friendly employment policies and practices. The Group has arranged stress management workshops and Employees Assistance Program for employees, which were delivered by professionals who shared their experiences and methods handling stress. The Group also invests in human capital development by providing relevant training programmes to enhance employee productivity. In collaboration with Independent Commission Against Corruption, Equal Opportunities Commission and Office of Privacy Commissioner for Personal Data, the Group held different kinds of seminars and workshops for the employees to enhance their awareness towards corporate governance.

In 2013, the Group continues to hire graduate with potential under a 24-month Management Trainee Programme. The graduate acquired essential business knowledge and management skills through well planned job rotations within the Group's core business units and corporate offices.

The Group's training programmes are designed and tailor-made to increase the knowledge of its employees and fill skill gaps identified during performance appraisals. Its overall training objectives are to enhance the personal productivity of its employees and to identify their individual interests in order to prepare their future roles and enable them to make greater contributions to the success of the Group's businesses. Besides formal training programmes, the Group also provides comprehensive and relevant training and self-learning opportunities to employees such as on-the-job training and educational sponsorships. During the period, the Group organised a number of seminars on subjects like counseling and crisis management, MPF investment management, by external consultants or service providers to enhance employees' general knowledge in the topics concerned.

Highlights of Sustainability Report 2012/13

MANAGING DIRECTOR'S MESSAGE

"We believe our long-term commitment in sustainability and stakeholder engagement will strengthen our connection to nature and our community, allowing sustainability to become embedded into our corporate culture and daily lives."

Since our establishment in the 1970s, we have been striving to create shared value by developing and managing building clusters and infrastructure that fosters economic development and supporting initiatives that promote sustainability. Our performance demonstrates our continuous efforts to sustain our business growth whilst maintaining our long standing partnership with the communities where we operate.

We see the importance of running our business in a pragmatic way that meets the bottom line, addresses the needs of our stakeholders and fulfils our environmental responsibility. All our core businesses — properties, highways and power plant — begin with sustainable design and construction and continue during their operations to enhance their environmental efficiency.

In Hong Kong, our success in urban redevelopment is exemplified by our efforts to transform Wan Chai into an important business district since the completion of Hopewell Centre, a significant landmark in Wan Chai. As the preparation work for Hopewell Centre II begins, we envisage that this will further stimulate the transformation of Wan Chai into a more vibrant district upon completion in 2018. To complement the development of a conference hotel, we have planned to improve the road traffic to ensure better connectivity and convenience for users. We will also build a green leisure park for the community. We hope that our development would further strengthen Wan Chai as a community that has its own distinctive blend of modernism and historical characteristics.

We are pleased to have completed the Western Delta Route in January 2013, ahead of schedule. This marks the completion of Pearl River Delta (PRD) expressway network that we initially proposed in the late 1970s, with the vision to connect Hong Kong and cities on both sides of the PRD. It is indeed a milestone for the 10th anniversary of the listing of our subsidiary, HHI. We believe that cities in the vicinity of the Western Delta Route will evolve into a more prosperous and socially cohesive region as a result of our infrastructure developments.

Our hospitality business has introduced a sustainable seafood menu option for our customers. We have taken initiatives to reduce food waste and recycle used cooking oil with the help of our community partners. To further raise environmental awareness, we support initiatives such as promoting the use of electric vehicles and we participate in important environmental programmes initiated by governmental and non-governmental organisations.

As we leverage our business strength to contribute to community development, we have scaled up our volunteering activities to reach disadvantaged groups, such as live-alone elderly and children with chronic diseases beyond the Wan Chai community. We have also been exploring new opportunities to offer employment to people with disabilities, help develop their skills and improve our employees' understanding of their needs.

In recognition of our on-going commitment to sustainable development, HHL and HHI have been selected as constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index for three consecutive years from 2011 to 2013. HHL had also been included in the Hang Seng Corporate Sustainability Index in 2010. We are delighted that HHL has recently been selected again as a constituent stock of the Hang Seng Corporate Sustainability Index effective from 9 September 2013, making us one of the sustainability leaders in Hong Kong.

I would like to thank our employees for their outstanding efforts and our stakeholders for providing feedback and support to help us improve. This Report will further elaborate our work and our plans for the future, which reflect our stakeholders' expectations and what is important to us as a responsible corporation.

As we move forward, we will reinforce our commitment to community development and environmental protection and engage our stakeholders in this process. This long-term commitment and engagement, we believe, will strengthen our connection to nature and our community, allowing sustainability to become embedded into our corporate culture and daily lives.

Thomas Jefferson WU
Managing Director, Hopewell Holdings Limited

OUR SUSTAINABILITY VISION AND FOCUS

At Hopewell, sustainability has been at the heart of what we do since our founding, long before we used the term to collectively describe our actions. We take an integrated approach to sustainability, incorporating environmental and social considerations in our decision making and actions. We work with our employees and other stakeholders in the industry and community to achieve our sustainability vision — creating shared value.

Our Sustainability Steering Committee ("the Committee") is chaired by the Managing Director of the Group and comprises four members of senior management from HHL and HHI. The Committee, supported by a CSR Sub-committee, is responsible for planning, implementing, monitoring and evaluating the Group's CSR activities.

We focus on minimising the impact of our operations on the environment and creating positive impacts in the community through our business:

Our core sustainability values:

- We regard the promotion of sustainable community growth to be 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

Sustainability Features and Initiatives	Property Investment & Development	Hospitality	Highway	Energy
Governance and Engagement				
Sound corporate governance practices				
Risk management				
Stakeholder engagement				
Integrating social and environmental responsibility into value chain				
Environmental Initiatives				
Sustainable design				
Enhancing energy efficiency				
Managing carbon footprint				
Waste reduction and recycling				
Greenery management				
Promoting electric vehicles				
Social Initiatives				
Equal employment practices				
Workplace health and safety				
Ensuring safe and healthy environment for communities				
Promoting food safety and sustainable consumption				
Providing barrier-free access and facilities				
Enhancing convenience for communities to facilitate economic and social development				
Improving traffic efficiency				

OUR STAKEHOLDER ENGAGEMENT

The Group values the importance of engaging with stakeholders in formulating our business decisions, managing our business operations, and identifying community needs for our community investment. We engage with our key stakeholders through various formal and informal communication platforms, which are outlined in our full Sustainability Report 2012/13.

Since 2011, the Group has commissioned an independent consultant to conduct our stakeholder engagement exercise. We believe that engaging our stakeholders through a third party on a confidential basis provides opportunities for our stakeholders to be more open and critical, which in turn enables the Group to gather valuable feedback to make continuous improvement.

OUR PEOPLE

Our employees are the driving force for our sustainable growth. We are committed to creating a working environment that will fully utilise our employees' potential and cultivating a sustainable workplace culture that advocates cooperative and healthy workforce. HH Social Club serves as an effective platform to enhance the relationship among our employees.

Highlights of workplace practice in 2012/13

Advocating Inclusive Workforce
- Offered jobs to people with disabilities and provided necessary facilities and support
- Conducted a seminar for our staff to learn the way to interact with employees with disabilities
- Conducted equal employment opportunities training

Supporting Employee Growth
- Revamped employee performance appraisal system
- Strengthened understanding of employee's training needs
- Performed more regular analysis of staff turnover and recruitment on a monthly basis

Emphasising Health and Safety
- Organised a Health Consultation Day for employees
- Our highway JV companies renovated sports facilities and installed soundproof glass at staff dormitories

Supporting Work-Life Balance
- Organised talks and workshops on physical and mental health, as part of Employee Assistance Programme
- HH Social Club organised various interest classes for staff
- Regularly organised birthday parties for employees and other leisure activities such as Halloween BBQ party and Christmas party

OUR ENVIRONMENTAL PERFORMANCE

We are committed to continuously strengthening our efforts towards environmental management and integrating initiatives across our business while increasing environmental awareness among our workforce and communities.

Areas of Concern	Highlights of environmental initiatives and achievement in 2012/13
General	• Added another electric vehicle (EV) to the Group's car fleet • Enhanced the internal Go Green Workplace campaign by engaging in a range of programmes run by green groups and governmental authorities
Property	• The 200 Queen's Road East Project, currently under development with expected completion in 2015, was awarded a Provisional BEAM "Platinum Standard" Certificate • Achieved a reduction in our electricity consumption across our commercial property portfolio • Environmental targets were set for our properties, covering energy savings, reduction of waste, paper and other resources use and raising environmental awareness • Conducted annual carbon audits on Hopewell Centre and KITEC and identified potential areas for further emission reduction • Hopewell Centre and our other premises joined Wastewi$e Label Programme
Hospitality	• Rolled out an alternative menu, Ocean Friendly Menu, to serve WWF Hong Kong certified sustainable seafood at our restaurants and Panda Hotel • Reduction in shark fin consumption was recorded in our restaurants and Panda Hotel • Joined a food rescue and assistance programme to donate surplus food to the needy • Collected used cooking oil to be reprocessed into renewable fuel by our community partners
Highways	• Replaced over 10,000 T8 fluorescent lamps with more energy-efficient T5 lamps in the office and living areas of the GS Superhighway Joint Venture (JV) company • Provided more greenery along our expressways than the local government recommended. All interchanges and main alignment of expressways are fully covered by greenery • Installed noise barriers along 20% of the Shenzhen section of GS Superhighway • Installed almost 12 kilometres of noise barriers alongside the main alignment of Western Delta Route • Actively participated in conferences to share environmental best practice in expressway construction and operation
Energy	• Upgraded the Continuous Emission Monitoring System to allow staff and governmental inspectors of PRC to access relevant emission data of the power plant • Improved flue gas desulphurisation wastewater treatment system • Completed installation of Nitrogen Oxides (NOx) reduction system for Unit 2 of the power generating units • Reduced Sulphur Dioxide (SO_2) and NOx emission by 25% and 23% respectively compared to the previous year • Reduced fresh water used by 9% compared to the previous year, and maintained zero wastewater discharge • Established comprehensive procedures to handle environmental emergencies

CUSTOMERS AND COMMUNITIES

We believe that serving the wider community goes hand in hand with our responsibility to serve our customers. We aim to build safe, vibrant and connected communities by developing infrastructure that increases safety and efficiency, organising public events to bring people together, and supporting disadvantaged groups through financial and in-kind donations in partnership with local NGOs.

Highlights of customers and communities initiatives in 2012/13

Creating Vibrant Communities and Engaging with Communities
- The Hopewell Centre II project began this year and is anticipated to further encourage economic development in Wan Chai
- The completion of Western Delta Route in early 2013 is envisaged to further stimulate the economic growth of the Pearl River Delta Region
- Our annual QRE Festival in Wan Chai has become a must-do event recommended by the Hong Kong Tourism Board for the first time
- We support the preservation of local heritage through the ongoing 200 Queen's Road East Project in Wan Chai
- GS Superhighway JV launched an official website and a free mobile application to provide road users with frequent updates of traffic conditions and information for trip planning and a 24-hour emergency service hotline was launched to provide timely assistance to road users in need

Supporting Youth and the Underprivileged
- Selected intellectually challenged young people trained under our "Strike" Bowling Programme have won two Gold, one Silver and two Bronze Medals in the 37th Hong Kong Special Olympics Bowling Competition
- We partnered with Newsweek Magazine again to promote awareness of global issues among local university students through an essay writing competition
- We sponsored the Playright Children Play Association's Hospital Play Development Project to train up some hospitalised children and become the Youth Ambassadors

Caring for the Elderly and Children
- Our volunteering team expanded our elderly visits to about 140 units of single elderly in six districts in Hong Kong during Tuen Ng festival. Volunteers from Panda Hotel prepared healthy rice dumplings made with five grains to promote healthy eating among the elderly
- We worked with our NGO partner again to organise a "Hopewell — Playright Christmas Playday" at Panda Hotel for 100 young patients with chronic illness and convey environmental protection messages through a "green drama" written by our HH Social Club members

PROCUREMENT AND SUPPLY CHAIN

The Group recognises the importance of managing our procurement and supply chain effectively and minimising and mitigating risks. Our sourcing activities are based on strict but fair agreements with our suppliers.

Highlights of procurement and supply chain initiatives and achievement in 2012/13

Supplier Policy and Requirements
- We require all qualified contractors and suppliers to familiarise themselves with our environmental approach and officially acknowledge our environmental guidelines for contractors and suppliers
- Our contractors are governed by contracts that outline our expectations on work quality, labour safety and compensation, energy efficiency, corruption prevention and other statutory requirements
- We are working to develop a Group-wide supply chain policy

Safety
- Food safety is a priority in our catering business. We conduct monthly laboratory tests for e-coli, salmonella and staphylococcus on high-risk food items
- Contractors of our Phase III West are required to set aside a fixed sum of resources for protective equipment and facilities as well as for supporting safety education and promotion
- Our power plant JV sources coal only from carefully selected suppliers that maintain a good safety record

Sourcing
- We approached fair trade product suppliers to explore opportunities of purchasing their products, such as tea, coffee, sugar and wine for our hotel and catering services
- We sourced sustainable seafood to provide an alternative menu to our customers

HIGHLIGHTS OF FUTURE ACTIONS FOR 2013/14

Areas of Concern	Targets and Actions for 2013/14
General	• Assess and explore information technology solutions to improve workplace efficiency • Promote and upgrade corporate branding • Enhance employee relations and staff engagement • Revamp human resource analytical reports to provide timely information for management • Acquire and retain talents and high potential staff effectively • Continue to recruit retired athletes
Property	• Strengthen efforts in achieving barrier-free access certification • Conduct energy audits for our commercial buildings • Monitor the progress of meeting the environmental targets set in relation to waste reduction, energy savings, reduction of paper, other resource use and raising environmental awareness • Strengthen efforts on heritage preservation in Nam Koo Terrace and 200 Queen's Road East Project
Hospitality	• Work with property management business units to utilise resources to enhance the Employee Assistance Programme • Organise social festive activities for NGOs • Enhance guest engagement and brand development • Continue participating in food donation and waste recycling programmes
Highways	• Both the GS Superhighway JV and the Western Delta Route JV have plans to install more noise barriers along the expressways to further mitigate the impact to the residential areas in proximity • The GS Superhighway JV will carry out improvement works at Taiping and Nantou to provide a better living environment for its staff • Both the GS Superhighway JV and the Western Delta Route JV will continue to maintain service standard by providing staff members with professional training in business etiquette, dealing with emergency incidents and managing heavy traffic
Energy	The Heyuan JV plans to carry out the following initiatives: • Install the NOx reduction system for Unit 1 in the second half year of 2013 • Continue to improve the power plant thermal efficiency and coal consumption • Reinforce sense of safety through occupational health and safety training • Strengthen leisure activities for employees for better work life balance • Organise competitions for staff to enhance their team spirit and sense of belonging • Encourage employee volunteering

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

This is the third year that we published a Sustainability Report, demonstrating our continuing commitment to transparency and accountability to our stakeholders. The annual Sustainability Report provides an in-depth coverage of our sustainability activities and performance.

We have written the Report according to the Global Reporting Initiative (GRI) sustainability reporting G3.1 framework and it was verified by the Hong Kong Quality Assurance Agency ("HKQAA").

Corporate Governance Practices

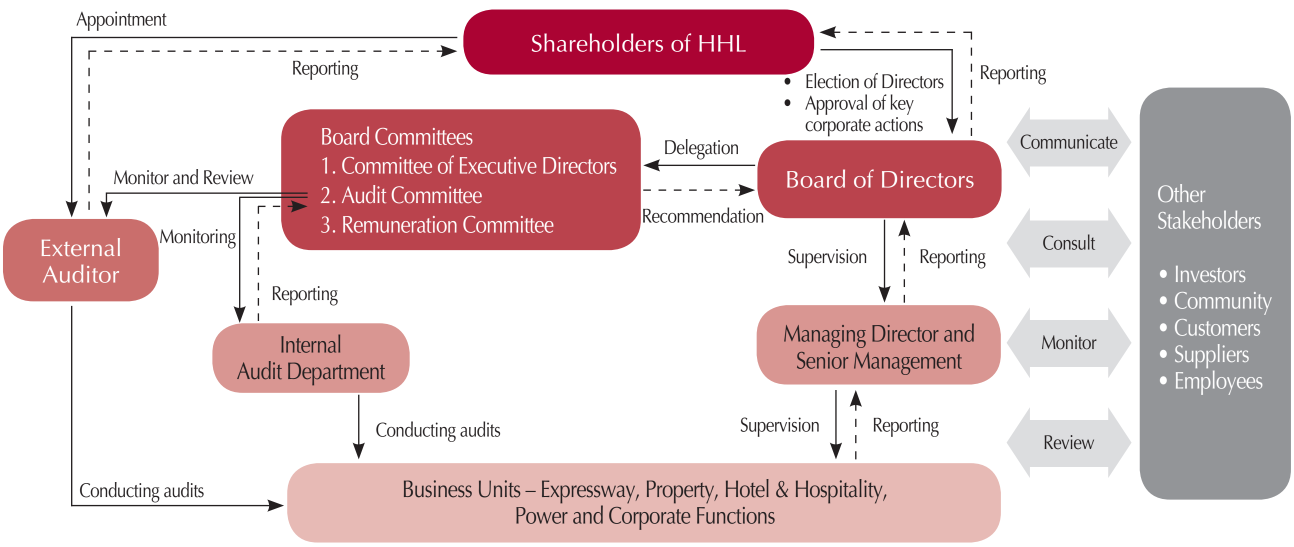
The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the CG Code.

Throughout the year ended 30 June 2013, the Company has complied with all the code provisions as set out in the CG Code, except for the deviation from code provision A.5.1 of the CG Code with explanation described below.

Code Provision A.5.1

The Company does not consider it necessary to have a nomination committee as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole 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(s) 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).

Corporate Governance Structure



Board of Directors

The Board

The Company is managed through the Board which currently comprises seven Executive Directors (including the Chairman), two Non-Executive Directors and five Independent Non-Executive Directors. That is, more than one-third of the Board are Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 13 to 19 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.

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.

Chairman and Managing Director

Sir Gordon WU served as the 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.

Appointment, Re-election and Removal

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.

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.

With a view to enhancing the corporate governance practice of the Company, Mr. Ahito NAKAMURA was appointed as an Independent Non-Executive Director on 17 December 2012. Mr. NAKAMURA received 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$300,000 per annum to be paid by the Company in arrears. His emolument is determined with reference to his duties and responsibilities towards the Company, the remuneration policies of the Company and the then 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 established a Committee of Executive Directors since 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.

The Company also established the Audit Committee and the Remuneration Committee to deal with the specific matters as set out below in the interest of all shareholders in an objective manner. Save that one member of the Remuneration Committee is a Non-Executive Director, members of these two committees currently comprise Independent Non-Executive Directors.

Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Sunny TAN (Chairman), Ms. Linda Lai Chuen LOKE and Mr. Guy Man Guy WU. The Company Secretary of the Company serves as the secretary of the Audit Committee and minutes of the meetings are sent to the members of the Audit Committee within a reasonable time after the meetings.

At least one of the members of the Audit Committee has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirement of the CG Code. Under the terms of reference of the Audit Committee, the corporate governance functions of the Board has been delegated to the Audit Committee to monitor, procure and manage corporate compliance within the Group.

Major responsibilities and functions of the Audit Committee are:

- consider the appointment, re-appointment and removal of the external auditor
- approve the remuneration and terms of engagement of the external auditor
- monitor the external auditor's independence and objectivity
- review and supervise the Group's financial controls, internal control and risk management systems
- review and monitor the interim and annual financial statements before submission to the Board
- develop and review the Company's policy and practices on corporate governance and make recommendations to the Board
- review and monitor the training and continuous professional development of Directors and senior management
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements
- develop, review and monitor the code of conduct applicable to employees and Directors
- review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report
- review arrangements for concerns about possible improprieties in financial reporting, internal control or other matters

Works performed during the year under review included:

- 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 2012 and the interim financial statements for the six months ended 31 December 2012
- reviewed the work performed by Internal Audit Department and the Group's internal control system
- reviewed the Company's policies and practices on corporate governance
- reviewed and approved the revised code of conduct
- reviewed and endorsed the Whistleblowing Policy and the formal Risk Management Policy

The terms of reference setting out the Audit Committee's authority and its duties and responsibilities are available on the HHL Website and on the HKEx Website.

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors namely, Dr. Gordon YEN (Chairman), Ms. Linda Lai Chuen LOKE and Mr. Guy Man Guy WU and a Non-Executive Director, Mr. Carmelo Ka Sze LEE. The head of Group Human Resources Department of the Company serves as the secretary of the Remuneration Committee and minutes of the meetings are sent to the members of the Remuneration Committee within a reasonable time after the meetings.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Major responsibilities and functions of the Remuneration Committee are:

- make recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration; and the establishment of a formal and transparent procedure for developing remuneration policy
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives
- make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management
- make recommendations to the Board on the remuneration of Non-Executive Directors

Works performed during the year under review included:

- reviewed and approved the remuneration of all Executive Directors for the year of 2013 and bonus payment for the year of 2012
- reviewed the level of Directors' fees and made recommendations on the Directors' fees for the year ended 30 June 2013

The terms of reference setting out the Remuneration Committee's authority and its duties and responsibilities are available on the HHL Website and on the HKEx Website.

Attendance at Meetings

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, the 2012 Annual General Meeting and the Extraordinary General Meeting are as follows:

	Number of meetings attended/held				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	2012 Annual General Meeting	Extraordinary General Meeting
Number of meetings held	4	2	2	1	1
Executive Directors					
Sir Gordon WU GBS, KCMG, FICE	4 out of 4	N/A	N/A	1 out of 1	1 out of 1
Mr. Eddie Ping Chang HO	4 out of 4	N/A	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	1 out of 1
Mr. Josiah Chin Lai KWOK	4 out of 4	N/A	N/A	1 out of 1	1 out of 1
Mr. Albert Kam Yin YEUNG	4 out of 4	N/A	N/A	1 out of 1	1 out of 1
Mr. Eddie Wing Chuen HO Junior *(resigned as Executive Director on 30 June 2013)*	4 out of 4	N/A	N/A	1 out of 1	1 out of 1
Mr. William Wing Lam WONG	4 out of 4	N/A	N/A	1 out of 1	1 out of 1
Ir. Leo Kwok Kee LEUNG	4 out of 4	N/A	N/A	1 out of 1	1 out of 1
Non-Executive Directors					
Lady WU JP	4 out of 4	N/A	N/A	1 out of 1	1 out of 1
Mr. Carmelo Ka Sze LEE JP	4 out of 4	N/A	2 out of 2	1 out of 1	1 out of 1
Independent Non-Executive Directors					
Mr. Guy Man Guy WU	4 out of 4	2 out of 2	2 out of 2	1 out of 1	1 out of 1
Ms. Linda Lai Chuen LOKE *(resigned as the chairman of the Remuneration Committee on 1 February 2013)*	4 out of 4	2 out of 2	2 out of 2	1 out of 1	1 out of 1
Mr. Sunny TAN	4 out of 4	2 out of 2	N/A	1 out of 1	1 out of 1
Dr. Gordon YEN *(appointed as the chairman of the Remuneration Committee on 1 February 2013)*	4 out of 4	N/A	2 out of 2	1 out of 1	1 out of 1
Mr. Ahito NAKAMURA *(appointed as an Independent Non-Executive Director on 17 December 2012)*	1 out of 2	N/A	N/A	N/A	1 out of 1

In addition, the Chairman of the Board held a meeting with the Non-Executive Directors and the Independent Non-Executive Directors without the presence of the Executive Directors in August 2013.

Induction Programme and Training for Board Members

A comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company is given to newly appointed Board Members by the management of the Company. A Guide on Directors' Duties published by the Companies Registry of Hong Kong and/or a Guide for Independent Non-Executive Directors published by The Hong Kong Institute of Directors have been sent (in case of Independent Non-Executive Director(s)) to each Director for his/her information and ready reference.

During the year under review, Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities. Arrangements were made to have speakers delivering talks and presentations to Directors on relevant topics with emphasis on the roles, functions and duties of directors as well as corporate governance issues. The costs for such trainings are borne by the Company.

Briefings on the new statutory disclosure obligations on inside information and an overview of the Competition Ordinance were given in March 2013 to Directors and senior management by an external legal professional.

Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses to enrich their knowledge in discharging their duties as a director. Directors are requested to provide their records of training they received to the Company Secretary for record.

To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the year under review:

	Corporate Governance	Legal and Regulatory	Group's Businesses
Executive Directors			
Sir Gordon WU GBS, KCMG, FICE	✓	✓	✓
Mr. Eddie Ping Chang HO	✓	✓	✓
Mr. Thomas Jefferson WU	✓	✓	✓
Mr. Josiah Chin Lai KWOK	✓	✓	✓
Mr. Albert Kam Yin YEUNG	✓	✓	✓
Mr. Eddie Wing Chuen HO Junior	✓	✓	✓
Mr. William Wing Lam WONG	✓	✓	✓
Ir. Leo Kwok Kee LEUNG	✓	✓	✓
Non-Executive Directors			
Lady WU JP	✓	✓	✓
Mr. Carmelo Ka Sze LEE JP	✓	✓	✓
Independent Non-Executive Directors			
Ms. Linda Lai Chuen LOKE	✓	✓	✓
Mr. Guy Man Guy WU	✓	✓	✓
Mr. Sunny TAN	✓	✓	✓
Dr. Gordon YEN	✓	✓	✓
Mr. Ahito NAKAMURA	✓	✓	✓

Company Secretary

The Company Secretary, Mr. Richard Cho Wa LAW, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Managing Director, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During the year under review, Mr. LAW has attended relevant professional seminars to update his skills and knowledge. He has complied with the Listing Rules to take no less than 15 hours of relevant professional training during the financial year.

Accountability and Audit

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.

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group's updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under the relevant requirements of the Listing Rules.

External Auditor and their Remuneration

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 109 and 110 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 2012. DTT was also engaged during the financial year to perform services in respect of a proposed spin-off and listing of shares in Hopewell Hong Kong Properties Limited.

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 2013, 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	5,502
Non-audit services:	
Interim review	921
Others	5,490
Total	11,913

Internal Controls

The Board is of the opinion that a sound internal control system will help achieve the Group's business objectives, safeguard the Group's assets, and contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations.

The Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

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. During the processes, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. These plans and budgets are then reviewed quarterly against actual performance for validity and adjustments. Various guidelines and procedures have been established for the approval and control of operating expenses, capital expenditures, project investments, unbudgeted items and acquisitions.

The Executive Directors review monthly management reports and hold periodical meetings with the senior operational and finance management to discuss business performance, budget variances, forecasts, market outlooks, and to address any accounting and finance related matters.

The Board acknowledges its responsibility for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. Evaluation of the Group's internal control, including its effectiveness, proper functioning and compliance with internal policies and external regulations, is independently conducted by the Internal Audit Department on an on-going basis for principal operations. Audit findings and risk concerns are raised to operational management for rectification with significant items reported to the Audit Committee at least twice every year.

For the year under review, the Board has through the Audit Committee reviewed the effectiveness and proper functioning of the Group's internal control system. To further enhance control awareness, on top of the Whistleblowing Policy launched in August 2012, the Group has also adopted the Risk Management Policy, formally defining the broad accountabilities as well as approaches that the Group will undertake to identify and manage risk, in May 2013.

Business Ethics

The Company considers ethical corporate culture and employees' honesty and integrity to be important assets and endeavours to comply with the laws and regulations of the countries in which we operate, all Directors and employees are required to act responsibly to ensure that the reputation of the Company is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, the Company adopts a Code of Conduct which provides employees with a set of defined ethical standards for adherence. The Code of Conduct is posted on the Company's intranet for observance by all staff. The heads of Business Units are charged with the responsibility of disseminating the Code of Conduct requirements to the employees concerned.

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, mandatory provident fund contribution and other benefits including medical cover, as well as discretionary bonus, share options and/or 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 2012 Annual General Meeting.

Inside Information Policy

The Board has adopted the Inside Information Policy in May 2013 which contains the guidelines to the Directors, officers and all employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

During the year under review, the Company organised a briefing for the Directors and senior management of the Company on the disclosure obligations under the new statutory regime of inside information.

Model Code for Securities Transactions

The Company has adopted the Model Code as its model code for securities transactions by the Directors and an employees' share dealing rules ("Share Dealing Rules") on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of unpublished inside information. Having made specific enquiry with Directors and the relevant employees, all of them have confirmed that they have fully complied with the Model Code and the Share Dealing Rules respectively throughout the year under review.

Communication with Shareholders

The Company recognises the importance of communications with the shareholders of the Company, both individual and institutional as well as potential investors. In February 2012, the Board adopted a Shareholders Communication Policy of the Company which aims to set out the provisions with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders of the Company to exercise their rights in an informed manner, and to allow shareholders of the Company and potential investors to engage actively with the Company. The Shareholders Communication Policy of the Company is posted on the HHL Website.

Disclosure of information on HHL Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and as timely as possible. The Company maintains a corporate website at www.hopewellholdings.com where important and updated information about the Group's activities and corporate matters such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders. When announcements are made through the Stock Exchange, the same information is made available on the HHL Website.

Annual General Meeting

The Company's annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for all the Directors (including the Chairman) and the chairmen of the Audit Committee and the Remuneration Committee together with and the external auditor of the Company to attend the annual general meetings to answer shareholders' questions. The 2012 Annual General Meeting was held at Auditorium, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on 18 October 2012. The 2013 Annual General Meeting has been scheduled to be held on 21 October 2013.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the HHL Website and on the HKEx Website on the same day of the poll.

Investor Relations

The Company recognises that effective communications with the investment community is essential in building shareholder confidence and hence creating shareholders' value. The Company believes that active dialogues with shareholders and potential investors can help them better understand the Company's strategies, business developments, growth opportunities and future prospects.

During the year under review, the Company maintained proactive communications with shareholders and potential investors through different channels. Investor and media conferences were arranged following results announcements to facilitate institutional and individual investors' understanding on the financial results and business progress of the Company. Investors and analysts had the opportunity to communicate with the senior management and enhance their understanding on the Company through various meetings. Enquiries from investors and analysts were also handled in a timely manner by the investor relations team. In addition, the Company strengthened the communication with the investment community by attending different investor conferences and roadshows.

Corporate information for shareholders, potential investors and the public are disseminated via the Company's corporate website at www.hopewellholdings.com. The website provides prompt update of company information including announcements, press releases, interim and annual reports presentation slides, as well as information on the Company's businesses.

The Company believes that upholding high level of transparency and implementing effective investor relations strategy are important in reinforcing investors' confidence, and maintaining high standards of corporate governance remains one of the top priorities of the Company. Any comment or enquiries can be directed to the Company's investor relations team at ir@hopewellholdings.com.

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Paragraph O of the CG Code.

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, may require the Directors to convene an extraordinary general meeting ("EGM"). The written requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more shareholders concerned.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening an EGM is given, the shareholder(s) concerned or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from such date.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Directors.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department whose contact details are as follows:

Investor Relations Department
Hopewell Holdings Limited
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Company Secretarial Department, Corporate Communications Department and Investor Relations Department of the Company handle both telephone and written enquiries from shareholders of the Company from time to time.

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow section 115A of the Companies Ordinance for including a resolution at an annual general meeting. The requirements and procedures are set out below:

(i) Any number of shareholders representing not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at an annual general meeting to which the requisition relates, or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may submit a requisition in writing to put forward a resolution which may properly be moved and is intended to be moved at an annual general meeting.

(ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an annual general meeting unless (a) a copy of the requisition signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at 64th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for the attention of the Company Secretary not less than 6 weeks before an annual general meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before an annual general meeting in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

(iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the Company, an annual general meeting is called for a date 6 weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

Pursuant to Article 107 of the Company's Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless (a) he/she is recommended by the Board for election; or (b) a shareholder of the Company shall have given notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as Director is posted on the HHL Website.

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 2013.

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 2013 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 111.

Dividends

The Directors recommend the payment of a final dividend of HK55 cents (2012: HK54 cents) per share in respect of the year ended 30 June 2013. A special final dividend of HK40 cents per share was paid for the previous year.

Together with the interim dividend of HK45 cents (2012: HK45 cents) per share paid on 14 March 2013, total dividends for the year will be HK100 cents (2012: HK139 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 20 to 64.

Share Capital

Movements in share capital of the Company during the year are set out in note 33 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 115 and note 34 to the consolidated financial statements.

Distributable Reserve

The Company's distributable reserve at 30 June 2013 amounts to approximately HK$5,715 million (2012: HK$6,446 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$1,389,000 (2012: HK$1,708,000).

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 14 and 15 to the consolidated financial statements respectively. Particulars regarding the major properties and property interests of the Group are set out on pages 185 to 187.

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 and their profiles as at the date of this report are set out on pages 13 to 19. Changes during the year and up to the date of this report are as follows:

Mr. Ahito NAKAMURA	(appointed as an Independent Non-Executive Director on 17 December 2012)
Dr. Gordon YEN	(appointed as the Chairman of the Remuneration Committee on 1 February 2013)
Ms. Linda Lai Chuen LOKE	(resigned as the Chairman of the Remuneration Committee on 1 February 2013 and remains as a Member of the Remuneration Committee)
Mr. Eddie Wing Chuen HO Junior	(resigned as an Executive Director on 30 June 2013)

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. Sir Gordon WU, Mr. Thomas Jefferson WU, Mr. William Wing Lam WONG and Mr. Carmelo Ka Sze LEE shall retire from office at the 2013 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. Ahito NAKAMURA, who was appointed as an Independent Non-Executive Director on 17 December 2012, shall hold office until the 2013 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 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 2013, 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)]

	Shares					
Directors	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests[(ii)] (interests of controlled corporation)	Other interests	Total Interests	% of issued share capital
Sir Gordon WU	75,083,240	25,420,000[(iv)]	111,250,000[(v)]	30,680,000[(iii)]	242,433,240[(viii)]	27.81
Eddie Ping Chang HO	27,008,000	1,366,000	70,000	–	28,444,000	3.26
Thomas Jefferson WU	27,600,000	–	–	–	27,600,000	3.17
Josiah Chin Lai KWOK	1,275,000	–	–	–	1,275,000	0.15
Guy Man Guy WU	2,645,650	–	–	–	2,645,650	0.30
Lady WU	25,420,000	125,143,240[(vi)]	61,190,000[(vii)]	30,680,000[(iii)]	242,433,240[(viii)]	27.81
Linda Lai Chuen LOKE	–	1,308,981	–	–	1,308,981	0.15
Albert Kam Yin YEUNG	170,000	–	–	–	170,000	0.02
William Wing Lam WONG	338,000	–	–	–	338,000	0.04

Notes:

(i) All interests in the shares of the Company were long positions. None of the Directors or chief executives held any short position in the shares and underlying shares of 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 family interests in 25,420,000 shares represented the interests of Lady WU.

(v) The corporate interests in 111,250,000 shares held by Sir Gordon WU included the interests in 61,190,000 shares referred to in Note (vii).

(vi) 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.

(vii) The corporate interests in 61,190,000 shares were held through corporations owned by Sir Gordon WU and Lady WU as to 50% each.

(viii) Sir Gordon WU and Lady WU were deemed under the SFO to have same interests with each other.

(B) Associated Corporation – HHI

	HHI Shares					
Directors	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests(i) (interests of controlled corporation)	Other Interests	Total Interests	% of issued share capital
Sir Gordon WU	13,717,724	5,244,000(ii)	21,249,999(iii)	6,136,000(iv)	46,347,723(viii)	1.50
Eddie Ping Chang HO	4,751,000	275,000	14,000	–	5,040,000	0.16
Thomas Jefferson WU	16,000,000	–	–	–	16,000,000	0.52
Josiah Chin Lai KWOK	127,500	–	–	–	127,500	0.00
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)	1.50
Linda Lai Chuen LOKE	–	130,898	–	–	130,898	0.00
Albert Kam Yin YEUNG	29,000	–	–	–	29,000	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 2013, 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 71,960,512 shares (representing approximately 8.26% 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 2013 were as follows:

			Number of share options						
	Date of grant	Exercise price per share (HK$)	Outstanding at 01/07/2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/06/2013	Exercise period	Closing price before date of grant falling within the year (HK$)
Director									
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	4,544,400	–	(2,841,600)	(234,000)	1,468,800	01/11/2007-31/10/2013	N/A
Employees	15/11/2007	36.10	3,888,000	–	–	(416,000)	3,472,000	01/12/2008-30/11/2014	N/A
Employees	24/07/2008	26.35	940,000	–	(128,600)	(192,000)	619,400	01/08/2009-31/07/2015	N/A
Employees	11/03/2009	21.45	572,000	–	(131,500)	–	440,500	18/03/2010-17/03/2016	N/A
Total			**10,232,400**	**–**	**(3,389,700)**	**(842,000)**	**6,000,700**		

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 a Director and the employees during the year was HK$28.84.

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 expired 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.

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 ("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.

Upon expiry of the HHI Options Scheme on 15 July 2013, no further options may be granted but the provisions of the HHI Options Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the HHI Option Scheme may continue to be exercisable in accordance with their respective terms of issue.

(C) Details of the movement of share options under the HHI Option Scheme during the year ended 30 June 2013 were as follows:

			Number of HHI share options						
	Date of grant	Exercise price per share (HK$)	Outstanding at 01/07/2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/06/2013	Exercise period	Closing price before date of grant falling within the year (HK$)
Employees of HHI	17/10/2006	5.858	4,080,000	–	–	–	4,080,000	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			**4,840,000**	**–**	**–**	**–**	**4,840,000**		

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$102,120 (2012: HK$109,152) 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 2013.

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 2013 and accordingly no dividend income was received in respect of shares hold upon the trust for the HHI Award Scheme (2012: 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 2013 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 Executive Directors are determined by the Board based on the recommendation of the Remuneration Committee 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 2013 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 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 (Chapter 485 of the Laws of Hong Kong), 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$25,000. 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$10,780,000 (2012: HK$9,809,000).

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

Save as disclosed 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 2013.

Purchase, Sale or Redemption of Securities

During the year ended 30 June 2013, the Company repurchased a total of 4,348,000 shares of the Company on the Stock Exchange at an aggregate consideration (excluding expenses) of HK$110,719,900. All the repurchased shares were subsequently cancelled. Details of the repurchases are as follows:

Month of the repurchases	Total number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid (excluding expenses) HK$
June 2013	4,348,000	26.55	24.20	110,719,900

The purchases were made for the benefit of the shareholders as a whole with a view to enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2013.

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 2013 under the Phase III Management Agreement was approximately RMB5.05 million.

The Independent Non-executive Directors have reviewed and confirmed that the Phase III Material Logistics Services provided by Nan Yue for the financial year ended 30 June 2013 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 Listing 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 41 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.

Disclosures 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.

Continuing disclosure pursuant to Rule 13.20 of the Listing Rules

As disclosed in the announcement made by the Company on 8 July 2011, Grand Site Development Limited ("Grand Site"), an affiliated company of the Company, executed a facility agreement and security documents in relation to loan facilities of up to an aggregate principal amount of HK$5,000 million and in connection therewith and on the same date, the Company (on a several basis and pro rata to its 50% attributable equity interest in Grand Site) entered into a corporate guarantee and a funding agreement for project cost overrun (with completion guarantee) and Linford Investments Limited (being the indirect wholly-owned subsidiary of the Company holding 50% shareholding in Grand Site) entered into a subordination agreement and a share charge in favour of the lenders. The aforesaid loan facilities have been and shall be utilised by Grand Site for the payment of the land premium and construction costs of the 200 Queen's Road East Project.

The Group also made advances to Grand Site (on several basis and pro rata to the Company's attributable equity interest in Grand Site). Such advances are funded from the internal resources of the Group by way of shareholder's advances, unsecured, interest-free and have no fixed and determined method of repayment.

As at 30 June 2013, the aggregate amount of advances and guarantee given for loan facilities granted to Grand Site amounted to HK$5,793 million, representing approximately 10.55% under the assets ratio ("Assets Ratio") as defined under Rule 14.07(1) of the Listing Rules.

Continuing disclosure pursuant to Rule 13.22 of the Listing Rules

As at 30 June 2013, the aggregate amount of financial assistance to, and guarantee given for the loan facilities granted to, affiliated companies of the Company, exceeds 8% under the Assets Ratio. In compliance with the requirement of Rule 13.22 of the Listing Rules, the combined balance sheet of the affiliated companies to which financial assistance and guarantees have been granted by the Company (and attributable interest of the Group in these affiliated companies) as at the latest practicable date (i.e. 30 June 2013) is set out below:

	Combined balance sheet HK$ million	The Group's attributable interest HK$ million
Non-current assets	4,561	1,876
Current assets	8,301	4,040
Current liabilities	(1,084)	(444)
	11,778	5,472
Share capital	1,580	632
Reserves	926	368
Amounts due to shareholders	5,320	2,578
Non-current liabilities	3,952	1,894
	11,778	5,472

Auditor

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the 2013 Annual General Meeting.

On behalf of the Board

Sir Gordon Ying Sheung WU GBS, KCMG, FICE
Chairman

Hong Kong, 20 August 2013

Deloitte.
德勤

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 111 to 184, which comprise the consolidated and Company's statements of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other 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 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 2013, 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
20 August 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	NOTES	2012 HK$'000	**2013 HK$'000**
Turnover	5	1,757,866	**1,725,179**
Cost of sales and services		(701,374)	**(672,102)**
		1,056,492	**1,053,077**
Other income	6	297,303	**312,727**
Selling and distribution costs		(68,925)	**(81,911)**
Administrative expenses		(352,738)	**(348,165)**
Gain on disposal of investment properties			
(Broadwood Twelve)	14(b)	15,918	**5,486**
Gain on disposal of a subsidiary	36	20,408	**–**
Fair value gain of:			
Commercial portion of HCII after land conversion			
(Investment properties under development)		–	**2,249,555**
Completed investment properties	14	2,263,728	**8,725,358**
Finance costs	7	(91,461)	**(107,034)**
Share of profits of			
Jointly controlled entities	8	1,176,042	**948,751**
Associates	20	11,525	**10,643**
Profit before taxation	9	4,328,292	**12,768,487**
Income tax expense	10	(365,173)	**(295,305)**
Profit for the year		3,963,119	**12,473,182**
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of subsidiaries and jointly controlled entities		145,171	**429,136**
Item that will not be reclassified to profit or loss:			
Gain arising from revaluation of other poperties before reclassification to investment properties		119,022	**87,908**
Other comprehensive income for the year		264,193	**517,044**
Total comprehensive income for the year		4,227,312	**12,990,226**
Profit for the year attributable to:			
Owners of the Company		3,630,684	**12,206,300**
Non-controlling interests		332,435	**266,882**
		3,963,119	**12,473,182**
Total comprehensive income attributable to:			
Owners of the Company		3,858,609	**12,621,157**
Non-controlling interests		368,703	**369,069**
		4,227,312	**12,990,226**
		HK$	**HK$**
Earnings per share	12		
Basic		4.15	**13.97**
Diluted		4.15	**13.96**

Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	2012 HK$'000	**2013 HK$'000**
ASSETS			
Non-current Assets			
Completed investment properties	14	17,429,282	**26,320,298**
Property, plant and equipment ("PPE")	15	715,560	**686,219**
Properties under development	18		
Commercial portion of HCII (investment properties)		–	**4,368,000**
Hotel portion of HCII (PPE)		–	**2,133,848**
Properties for development	18	1,170,897	**891,375**
Interests in jointly controlled entities	19	9,072,789	**9,177,298**
Interests in associates	20	21,241	**31,440**
Loan receivable		410	**–**
Available-for-sale investments	21	3,000	**9,044**
Amounts due from jointly controlled entities	22	2,116,788	**3,512,561**
		30,529,967	**47,130,083**
Current Assets			
Inventories	23	7,261	**7,818**
Stock of properties	24		
Under development		635,831	**772,679**
Completed		154,140	**214,972**
Trade and other receivables	25	402,929	**387,355**
Deposits and prepayments		81,342	**155,660**
Amounts due from jointly controlled entities	22	651,532	**689,936**
Bank balances and cash held by:	26		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		3,393,906	**3,487,459**
Hopewell Highway Infrastructure Limited and its subsidiaries ("HHI Group")		4,582,018	**1,869,790**
		9,908,959	**7,585,669**
Assets classified as held for sale (Broadwood Twelve)	14(b)	1,202,200	**688,750**
		11,111,159	**8,274,419**
Total Assets		41,641,126	**55,404,502**
Cash and cash equivalents (included in bank balances and cash) held by:			
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		*3,245,708*	***2,619,565***
HHI Group		*3,984,218*	***1,869,790***
		7,229,926	***4,489,355***

	NOTES	2012 HK$'000	**2013** **HK$'000**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	33	2,179,658	**2,179,098**
Share premium and reserves	34	29,618,290	**41,064,055**
Equity attributable to owners of the Company		31,797,948	**43,243,153**
Non-controlling interests		2,784,041	**3,268,815**
Total Equity		34,581,989	**46,511,968**
Non-current Liabilities			
Warranty provision	39(a)	53,966	**53,966**
Deferred tax liabilities	35	360,472	**394,423**
Amount due to a minority shareholder of a subsidiary	30	60,253	**56,546**
Corporate bonds	31	732,000	**–**
Bank borrowings of:	32		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		1,746,000	**3,580,000**
HHI Group		1,220,000	**631,500**
		4,172,691	**4,716,435**
Current Liabilities			
Trade and other payables	27	574,370	**564,335**
Rental and other deposits		283,253	**349,259**
Amounts due to associates	28	887	**1,598**
Amount due to a jointly controlled entity	28	10,057	**8,828**
Tax liabilities		256,286	**285,191**
Corporate bonds	31	1,683,600	**757,800**
Bank borrowings of:	32		
Hopewell Holdings Limited and its subsidiaries (excluding HHI Group)		–	**2,078,900**
HHI Group		70,800	**128,600**
		2,879,253	**4,174,511**
Liabilities associated with assets classified as held for sale	14(b)	7,193	**1,588**
		2,886,446	**4,176,099**
Total Liabilities		7,059,137	**8,892,534**
Total Equity and Liabilities		41,641,126	**55,404,502**

Thomas Jefferson WU
Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

Company's Statement of Financial Position

At 30 June 2013

	NOTES	2012 HK$'000	2013 HK$'000
ASSETS			
Non-current Assets			
Investments in subsidiaries	16	1,167,319	1,090,547
Amounts due from subsidiaries	17	15,994,827	35,785,303
Investments in associates	20	5	–
Available-for-sale investments	21	3,000	3,000
		17,165,151	36,878,850
Current Assets			
Trade and other receivables		409	1,476
Deposits and prepayments		16,032	16,014
Amounts due from subsidiaries	29	1,469,778	23,845
Bank balances and cash	26	831,527	862,628
		2,317,746	903,963
Total Assets		19,482,897	37,782,813
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	33	2,179,658	2,179,098
Share premium and reserves	34	15,382,890	14,722,995
Total Equity		17,562,548	16,902,093
Current Liabilities			
Trade and other payables		8,425	22,612
Amounts due to associates	28	887	1,598
Amounts due to subsidiaries	29	1,911,037	20,856,510
Total Liabilities		1,920,349	20,880,720
Total Equity and Liabilities		19,482,897	37,782,813

Thomas Jefferson WU
Managing Director

Josiah Chin Lai KWOK
Deputy Managing Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	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$'000	Share option reserve HK$'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 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
Profit for the year	–	–	–	–	–	–	–	–	–	3,630,684	3,630,684	–	332,435	332,435	3,963,119
Other comprehensive income for the year	–	–	–	–	108,903	–	119,022	–	–	–	227,925	–	36,268	36,268	264,193
Total comprehensive income for the year	–	–	–	–	108,903	–	119,022	–	–	3,630,684	3,858,609	–	368,703	368,703	4,227,312
Shares issued	185	1,916	–	–	–	–	–	(514)	–	–	1,587	–	–	–	1,587
Transaction costs attributable to issue of shares	–	(1)	–	–	–	–	–	–	–	–	(1)	–	–	–	(1)
Shares repurchased	(12,135)	–	12,135	–	–	–	–	–	–	(95,978)	(95,978)	–	–	–	(95,978)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	785	–	–	785	39	17	56	841
Forfeiture of vested share options	–	–	–	–	–	–	–	(3,134)	–	3,325	191	(191)	–	(191)	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(19,280)	(19,280)	–	(52,561)	(52,561)	(71,841)
Disposal of a subsidiary (note 36)	–	–	–	–	–	–	–	–	–	–	–	–	(4,699)	(4,699)	(4,699)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(327,627)	(327,627)	(327,627)
Dividends recognised as distribution during the year (note 11)	–	–	–	–	–	–	–	–	–	(1,295,251)	(1,295,251)	–	–	–	(1,295,251)
Transfers between reserves	–	–	–	–	–	9,131	–	–	–	(9,131)	–	–	–	–	–
At 30 June 2012	2,179,658	8,779,355	84,245	10,010	879,119	114,939	177,095	65,419	(2,178)	19,510,286	31,797,948	2,980	2,781,061	2,784,041	34,581,989
Profit for the year	–	–	–	–	–	–	–	–	–	12,206,300	12,206,300	–	266,882	266,882	12,473,182
Other comprehensive income for the year	–	–	–	–	326,949	–	87,908	–	–	–	414,857	–	102,187	102,187	517,044
Total comprehensive income for the year	–	–	–	–	326,949	–	87,908	–	–	12,206,300	12,621,157	–	369,069	369,069	12,990,226
Shares issued	8,474	84,722	–	–	–	–	–	(16,758)	–	–	76,438	–	–	–	76,438
Shares repurchased (note 33)	(9,034)	–	9,034	–	–	–	–	–	–	(111,014)	(111,014)	–	–	–	(111,014)
Reversal of equity-settled share-based payments	–	–	–	–	–	–	–	(73)	–	–	(73)	–	–	–	(73)
Forfeiture of vested share options	–	–	–	–	–	–	–	(5,569)	–	5,569	–	–	–	–	–
Increase in capital of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	467,049	467,049	467,049
Increase in net assets value attributable to the Group upon partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	74,097	74,097	–	(74,097)	(74,097)	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(277,247)	(277,247)	(277,247)
Dividends recognised as distribution during the year (note 11)	–	–	–	–	–	–	–	–	–	(1,215,400)	(1,215,400)	–	–	–	(1,215,400)
Transfers between reserves	–	–	–	–	–	10,416	–	–	–	(10,416)	–	–	–	–	–
At 30 June 2013	2,179,098	8,864,077	93,279	10,010	1,206,068	125,355	265,003	43,019	(2,178)	30,459,422	43,243,153	2,980	3,265,835	3,268,815	46,511,968

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	2012 HK$'000	**2013** **HK$'000**
OPERATING ACTIVITIES		
Profit before taxation	4,328,292	**12,768,487**
Adjustments for:		
Depreciation of property, plant and equipment	72,139	**69,643**
Finance costs	91,461	**107,034**
Net exchange gain	(16,508)	**(32,586)**
Fair value gain of:		
Completed investment properties	(2,263,728)	**(8,725,358)**
Commercial portion of HCII after land conversion		
(Investment properties under development)	–	**(2,249,555)**
Gain on disposal of a subsidiary	(20,408)	**–**
Gain on disposal of investment properties	(15,918)	**(5,486)**
Interest income	(246,328)	**(256,925)**
Loss on disposal of property, plant and equipment	4,431	**534**
Share-based payment expense recognised (reversed)	841	**(73)**
Share of profits of		
Jointly controlled entities	(1,176,042)	**(948,751)**
Associates	(11,525)	**(10,643)**
Operating cash flows before movements in working capital	746,707	**716,321**
Increase in inventories	(411)	**(557)**
Increase in stock of properties	(212,175)	**(175,564)**
Increase in trade and other receivables,		
and deposits and prepayments	(44,825)	**(49,560)**
Increase in trade and other payables, and rental and other deposits	151,836	**80,374**
Cash generated from operations	641,132	**571,014**
Tax paid		
Hong Kong Profits Tax	(23,991)	**(50,142)**
Taxation elsewhere	(90,767)	**(76,193)**
NET CASH FROM OPERATING ACTIVITIES	526,374	**444,679**

	NOTE	2012 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Placement of bank deposits		(356,538)	**(1,906,859)**
Withdrawal of bank deposits		490,037	**1,808,339**
Interest received		242,549	**244,443**
Dividends received (net of PRC withholding tax)		1,006,859	**1,137,133**
Additions to completed investment properties		(95,776)	**(85,262)**
Additions to property, plant and equipment		(29,549)	**(50,775)**
Additions to properties for/under development		(192,464)	**(3,957,533)**
Investment in a jointly controlled entity		(592,811)	**–**
Repayment to a minority shareholder of a subsidiary		(7,914)	**(8,401)**
(Advances to) repayment from jointly controlled entities:			
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV")		577,740	**(1,244,780)**
Heyuan Project		(244,200)	**–**
200 Queen's Road East Project		(363,563)	**(132,773)**
Proceeds and deposit received from disposal of investment properties (net)		629,792	**518,427**
Net proceeds from disposal of property, plant and equipment		101	**192**
Net cash inflow on disposal of a subsidiary	36	56,342	**–**
Acquisition of available-for-sale investment		–	**(6,044)**
Tax paid in Hong Kong for disposal of investment properties held for sale		–	**(35,856)**
Tax paid elsewhere for interest received		(16,199)	**(35,580)**
NET CASH FROM (USED IN) INVESTING ACTIVITIES		1,104,406	**(3,755,329)**
FINANCING ACTIVITIES			
Repayment to corporate bonds		–	**(1,683,600)**
New bank borrowings raised		2,566,100	**9,287,800**
Repayment of bank borrowings		(500,000)	**(5,963,000)**
Dividends and distributions paid to			
Owners of the Company		(1,295,251)	**(1,215,400)**
Non-controlling interests		(327,627)	**(277,247)**
Capital contribution from minority shareholders of subsidiaries		–	**467,049**
Net proceeds from issue of shares by the Company		1,586	**76,438**
Repurchase of shares		(95,978)	**(97,715)**
Advance from an associate		–	**3,127**
Repayments to associates		(13,573)	**(2,416)**
Advance from a jointly controlled entity		3,209	**3,794**
Acquisition of additional interest of a subsidiary		(71,841)	**–**
Finance costs paid		(96,167)	**(189,481)**
NET CASH FROM FINANCING ACTIVITIES		170,458	**409,349**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,801,238	**(2,901,301)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		5,352,229	**7,229,926**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		76,459	**160,730**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		7,229,926	**4,489,355**

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, Wan Chai, 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 Group are investments in toll roads and power plant, property development and investment, property agency and management, hotel ownership and management, restaurant operations and food catering.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group had early applied the amendments to HKAS 12 *Income Taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 *Investment Property* since the Group's financial year beginning on 1 July 2010.

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for statement of comprehensive income and income statement.

Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been renamed and the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[3]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[3]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2015 will affect the classification and measurement of the Group's available-for-sale investments.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of HKFRS 10, HKFRS 11 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. 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) the 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.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2013 and that the application of the new standards is not expected to have material impact on the amounts reported in the consolidated financial statements but will result in more disclosures in the consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Other than disclosed above, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

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

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.

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and 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 Group's equity therein.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted according to the change in net asset values shared by non-controlling interests, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost (including deemed capital contribution) less any identified impairment loss, if any.

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 requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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.

3. Significant Accounting Policies (continued)

Interests in jointly controlled entities (continued)

When a group entity transacts with a jointly controlled entity, 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 interests in the jointly controlled entity that are not related to the Group.

Interests in associates

An associate is an entity over which the Group 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 its associate, 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. In circumstances where the fair value of an investment property under development is not reliably measurable but the fair value of the property is expected to be reliably measurable when construction is completed, such investment properties under development are measured at cost less impairment, if any, until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier. Once the fair value of an investment property under development that has previously been measured at cost is able to measure reliably, the property is measured at fair value. Any difference between the fair value of the property at that time and its previous carrying amount is recognised in profit or loss. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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

3. Significant Accounting Policies (continued)

Investment properties (continued)

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.

Property, plant and equipment

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

Buildings under development for future owner-occupied purpose

Properties in the course of construction for production or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Properties for development

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

3. Significant Accounting Policies (continued)

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 losses on assets

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

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 amounts 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. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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.

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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The Group's and the Company's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way 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 debt instrument 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 and points 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 debt instrument 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, trade and other receivables, amounts due from subsidiaries, and bank balances and cash) are measured 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.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. 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 are measured at cost less any identified impairment losses at the end of each 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 each reporting period. Financial assets are considered to be impaired when 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 equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 average credit period of 15 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 the 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 a trade receivable is 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 will not be reversed through profit or loss.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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 recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments (continued)

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

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.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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 of inventories 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.

3. Significant Accounting Policies (continued)

Provisions

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

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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 amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. 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.

3. Significant Accounting Policies (continued)

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) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, 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 under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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 before taxation" as reported in the consolidated statement of profit or loss and other 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 base 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 the initial recognition of 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 each 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are 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 recognised as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies (continued)

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 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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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.

Revenue recognition

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

Lease of properties

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

Property agency and management

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

Property development

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed at which the relevant completion certificates are issued by the respective government authorities and the significant risks and rewards of ownership of the properties are transferred 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 ownership and management

Revenue from hotel ownership 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 income can be measured reliably. Interest income 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.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, 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 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 have exercised their judgments and are satisfied that the assumptions used in the valuation are 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.

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.

4. Key Sources of Estimation Uncertainty (continued)

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. Certain operating segments that do not meet the quantitative thresholds are aggregated in "Other operations".

The Group's reportable 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	–	property letting, agency and management
Hotel, restaurant and catering operation	–	hotel ownership and management, restaurant operations and food catering
Property development	–	development and/or sale of properties, property under development and project management
Toll road investment	–	investments in expressway projects
Power plant	–	power plant investments and operation
Treasury income	–	interest income from bank balances and amounts due from jointly controlled entities

5. Turnover and Segment Information (continued)

Information regarding the above segments is reported below.

Segment revenue

	2012			2013		
	External HK$'000	Inter-segment HK$'000	Combined HK$'000	External HK$'000	Inter-segment HK$'000	Combined HK$'000
Property investment	706,971	55,229	762,200	798,526	49,329	847,855
Hotel, restaurant and catering operation	461,000	228	461,228	461,791	550	462,341
Property development	1,266,595	–	1,266,595	1,008,262	–	1,008,262
Toll road investment	2,385,666	–	2,385,666	2,244,122	–	2,244,122
Power plant	1,493,314	–	1,493,314	1,378,015	–	1,378,015
Treasury income	246,328	–	246,328	256,925	–	256,925
Total segment revenue	6,559,874	55,457	6,615,331	6,147,641	49,879	6,197,520

Segment revenue includes turnover as presented in consolidated statement of profit or loss and other comprehensive income, gross proceeds from sale of completed 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 profit or loss and other comprehensive income as follows:

	2012 HK$'000	2013 HK$'000
Total segment revenue from external customers	6,559,874	6,147,641
Less:		
Sale of completed investment properties held for sale included in the segment revenue of property development	(676,700)	(543,400)
Treasury income	(246,328)	(256,925)
Share of revenue of jointly controlled entities engaged in:		
Toll road investment	(2,385,666)	(2,244,122)
Power plant	(1,493,314)	(1,378,015)
Turnover as presented in consolidated statement of profit or loss and other comprehensive income	1,757,866	1,725,179

5. Turnover and Segment Information (continued)

Segment results

	2012				2013			
	The Company and subsidiaries HK$'000	Jointly controlled entities HK$'000	Associates HK$'000	Total HK$'000	**The Company and subsidiaries HK$'000**	**Jointly controlled entities HK$'000**	**Associates HK$'000**	**Total HK$'000**
Property investment	436,305	2,588	6,160	445,053	**496,892**	**1,589**	**10,643**	**509,124**
Hotel, restaurant and catering operation	130,267	–	–	130,267	**144,649**	**–**	**–**	**144,649**
Property development	334,897	(103)	–	334,794	**2,471,305**	**–**	**–**	**2,471,305**
Toll road investment	(52,377)	1,087,811	–	1,035,434	**(49,465)**	**798,471**	**–**	**749,006**
Power plant	(1,988)	87,892	–	85,904	**(2,202)**	**148,691**	**–**	**146,489**
Treasury income	246,328	–	–	246,328	**256,925**	**–**	**–**	**256,925**
Other operations	(18,686)	(2,146)	5,365	(15,467)	**(14,372)**	**–**	**–**	**(14,372)**
Total segment results	1,074,746	1,176,042	11,525	2,262,313	**3,303,732**	**948,751**	**10,643**	**4,263,126**

Fair value gain of commercial portion of HCII after land conversion (investment properties under development) amounting to HK$2,250 million forms part of the segment result of property development.

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

	2012 HK$'000	**2013 HK$'000**
Segment results	2,262,313	**4,263,126**
Unallocated other income	13,467	**31,130**
Unallocated corporate expenses	(140,163)	**(144,093)**
	2,135,617	**4,150,163**
Fair value gain of completed investment properties	2,263,728	**8,725,358**
Gain on disposal of a subsidiary	20,408	**–**
Finance costs	(91,461)	**(107,034)**
Profit before taxation	4,328,292	**12,768,487**

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.

5. Turnover and Segment Information (continued)

Geographical information

The Group's 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 (Note (a))		Non-current assets (Note (b))	
	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**
Hong Kong	1,858,068	**1,834,685**	19,235,815	**34,318,945**
The PRC	4,701,806	**4,312,956**	79,924	**80,795**
	6,559,874	**6,147,641**	19,315,739	**34,399,740**

Notes:

(a) Revenue from external customers include sale of completed 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$576,562,000 (2012: HK$690,097,000) and HK$3,845,900,000 (2012: HK$4,111,911,000) respectively, which are excluded from the turnover as presented in consolidated statement of profit or loss and other comprehensive income.

(b) Non-current assets exclude financial instruments, interests in jointly controlled entities and interests in associates.

6. Other Income

	2012 HK$'000	**2013 HK$'000**
Included in other income are:		
Interest income from bank deposits	186,054	**177,194**
Interest income from amounts due from jointly controlled entities	60,274	**79,731**
Exchange gain, net	16,508	**32,586**

7. Finance Costs

	2012 HK$'000	**2013 HK$'000**
Interests on:		
Corporate bonds	61,831	**13,190**
Bank borrowings wholly repayable within 5 years	14,721	**89,253**
Loan commitment fees and others	14,909	**24,112**
	91,461	**126,555**
Less: finance costs capitalised in properties under development	–	**(19,521)**
	91,461	**107,034**

8. Share of Profits of Jointly Controlled Entities

	2012 HK$'000	**2013** **HK$'000**
Share of profits of jointly controlled entities before amortisation of additional cost of investments in jointly controlled entities	1,275,906	**1,060,394**
Amortisation of additional cost of investments in jointly controlled entities	(99,864)	**(111,643)**
	1,176,042	**948,751**

9. Profit before Taxation

	2012 HK$'000	**2013** **HK$'000**
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	5,542	**5,502**
Depreciation of property, plant and equipment	72,139	**69,643**
Loss on disposal of property, plant and equipment	4,431	**534**
Rental expense in respect of properties under operating leases	169	**116**
Rental income from investment properties, less attributable outgoings of HK$289,422,000 (2012: HK$256,128,000)	(444,961)	**(506,418)**
Charitable donations	1,708	**1,389**
Share of tax of associates (included in share of profits of associates)	1,217	**198**
Share of tax of jointly controlled entities (included in share of profits of jointly controlled entities)	408,840	**366,607**
Staff costs (including Directors' emoluments)	402,834	**416,157**

10. Income Tax Expense

	2012 HK$'000	**2013** **HK$'000**
Hong Kong Profits Tax		
Current year	64,892	**74,594**
Under(Over)provision in respect of prior years	621	**(2,132)**
	65,513	**72,462**
Taxation elsewhere — current year		
PRC Enterprise Income Tax ("EIT")	128,535	**127,611**
PRC Land Appreciation Tax ("LAT")	134,261	**67,301**
	262,796	**194,912**
Deferred tax (note 35)	36,864	**27,931**
	365,173	**295,305**

10. Income Tax Expense (continued)

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.

PRC EIT for the year includes PRC withholding tax on dividends declared during the year by the Group's jointly controlled entities amounting to approximately HK$57 million (2012: HK$54 million).

Under the Law of the PRC on EIT (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 35.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2012 HK$'000	**2013** **HK$'000**
Profit before taxation	4,328,292	**12,768,487**
Tax at Hong Kong Profits Tax rate of 16.5%	714,168	**2,106,800**
PRC LAT (net of tax effect on deduction of EIT)	100,696	**50,476**
Tax effect of expenses not deductible for tax purposes	31,471	**37,257**
Tax effect of income not taxable for tax purposes	(403,026)	**(1,841,836)**
Tax effect of tax losses not recognised	17,582	**20,123**
Tax effect of utilisation of tax losses not previously recognised	(3,612)	**(8,515)**
Tax effect of share of profits of jointly controlled entities and associates	(195,949)	**(158,300)**
Under(over)provision in respect of prior years	621	**(2,132)**
Effect of different tax rates of subsidiaries operating in other jurisdictions	32,634	**31,305**
Deferred tax on undistributed earnings of PRC subsidiaries and jointly controlled entities	70,073	**60,564**
Others	515	**(437)**
Income tax expense for the year	365,173	**295,305**

11. Dividends

	2012 HK$'000	**2013** **HK$'000**
Dividends recognised as distribution during the year:		
Final dividend for the year ended 30 June 2012 of HK54 cents per share (2012: for the year ended 30 June 2011 of HK58 cents per share)	508,496	**472,052**
Special final dividend for the year ended 30 June 2012 of HK40 cents per share (2012: for the year ended 30 June 2011 of HK45 cents per share)	394,523	**349,669**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (note 33)	(74)	**(68)**
	902,945	**821,653**
Interim dividend for the year ended 30 June 2013 of HK45 cents per share (2012: for the year ended 30 June 2012 of HK45 cents per share)	392,338	**393,779**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (note 33)	(32)	**(32)**
	392,306	**393,747**
	1,295,251	**1,215,400**
Dividends proposed:		
Final dividend for the year ended 30 June 2013 of HK55 cents per share (2012: for the year ended 30 June 2012 of HK54 cents per share)	470,806	**479,022**
Special final dividend for the year ended 30 June 2013: Nil (2012: for the year ended 30 June 2012 of HK40 cents per share)	348,745	**–**
Less: Dividends for shares held by HHL Employees' Share Award Scheme Trust (note 33)	(68)	**(40)**
	819,483	**478,982**

The proposed final dividend of HK55 cents per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

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

12. Earnings per Share

	2012 HK$'000	2013 HK$'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	3,630,684	**12,206,300**

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	874,009,329	**873,930,371**
Effect of dilutive potential ordinary shares in respect of share options	8,934	**599,246**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	874,018,263	**874,529,617**

13. 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:

	Year ended 30 June 2013				
	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	1,988	–	–	2,288
Mr. Eddie Ping Chang HO	250	1,590	–	–	1,840
Mr. Thomas Jefferson WU	200	5,538	–	15	5,753
Mr. Josiah Chin Lai KWOK	200	3,975	–	15	4,190
Mr. Guy Man Guy WU	300	–	–	–	300
Lady WU Ivy Sau Ping KWOK	300	–	–	–	300
Ms. Linda Lai Chuen LOKE	300	–	–	–	300
Mr. Albert Kam Yin YEUNG	200	4,070	–	15	4,285
Mr. Sunny TAN	300	–	–	–	300
Mr. Carmelo Ka Sze LEE	300	–	–	–	300
Mr. Eddie Wing Chuen HO Junior	200	1,037	–	15	1,252
Mr. William Wing Lam WONG	200	3,731	–	15	3,946
Ir. Leo Kwok Kee LEUNG	200	3,731	–	15	3,946
Dr. Gordon YEN	300	–	–	–	300
Mr. Ahito NAKAMURA	161	–	–	–	161
	3,711	25,660	–	90	29,461

13. Emoluments of Directors and Highest Paid Employees (continued)

(a) Directors' emoluments (continued)

	Year ended 30 June 2012				
	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	2,170	–	–	2,470
Mr. Eddie Ping Chang HO	250	1,596	–	–	1,846
Mr. Thomas Jefferson WU	200	4,385	–	12	4,597
Mr. Josiah Chin Lai KWOK	200	4,090	–	12	4,302
Mr. Henry Hin Moh LEE	100	500	–	–	600
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	3,926	–	12	4,138
Mr. Sunny TAN	200	–	–	–	200
Mr. Carmelo Ka Sze LEE	200	–	–	–	200
Mr. Eddie Wing Chuen HO Junior	200	873	–	12	1,085
Mr. William Wing Lam WONG	200	3,599	19	12	3,830
Ir. Leo Kwok Kee LEUNG	200	3,599	–	12	3,811
Dr. Gordon YEN	27	–	–	–	27
	2,877	24,738	19	72	27,706

Certain Directors are also directors of HHI. The emoluments paid or payable by HHI Group to those directors are as follows:

	Year ended 30 June 2013				
	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**	**4,240**	**–**	**–**	**4,540**
Mr. Eddie Ping Chang HO	**250**	**3,180**	**–**	**–**	**3,430**
Mr. Thomas Jefferson WU	**200**	**3,692**	**–**	**15**	**3,907**
	750	**11,112**	**–**	**15**	**11,877**

	Year ended 30 June 2012				
	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	4,340	–	–	4,640
Mr. Eddie Ping Chang HO	250	3,272	–	–	3,522
Mr. Thomas Jefferson WU	200	2,923	–	12	3,135
	750	10,535	–	12	11,297

13. Emoluments of Directors and Highest Paid Employees (continued)

(a) Directors' emoluments (continued)

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

	Year ended 30 June 2013				
	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**	**6,228**	**–**	**–**	**6,828**
Mr. Eddie Ping Chang HO	**500**	**4,770**	**–**	**–**	**5,270**
Mr. Thomas Jefferson WU	**400**	**9,230**	**–**	**30**	**9,660**
Mr. Josiah Chin Lai KWOK	**200**	**3,975**	**–**	**15**	**4,190**
Mr. Guy Man Guy WU	**300**	**–**	**–**	**–**	**300**
Lady WU Ivy Sau Ping KWOK	**300**	**–**	**–**	**–**	**300**
Ms. Linda Lai Chuen LOKE	**300**	**–**	**–**	**–**	**300**
Mr. Albert Kam Yin YEUNG	**200**	**4,070**	**–**	**15**	**4,285**
Mr. Sunny TAN	**300**	**–**	**–**	**–**	**300**
Mr. Carmelo Ka Sze LEE	**300**	**–**	**–**	**–**	**300**
Mr. Eddie Wing Chuen HO Junior	**200**	**1,037**	**–**	**15**	**1,252**
Mr. William Wing Lam WONG	**200**	**3,731**	**–**	**15**	**3,946**
Ir. Leo Kwok Kee LEUNG	**200**	**3,731**	**–**	**15**	**3,946**
Dr. Gordon YEN	**300**	**–**	**–**	**–**	**300**
Mr. Ahito NAKAMURA	**161**	**–**	**–**	**–**	**161**
	4,461	**36,772**	**–**	**105**	**41,338**

	Year ended 30 June 2012				
	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	6,510	–	–	7,110
Mr. Eddie Ping Chang HO	500	4,868	–	–	5,368
Mr. Thomas Jefferson WU	400	7,308	–	24	7,732
Mr. Josiah Chin Lai KWOK	200	4,090	–	12	4,302
Mr. Henry Hin Moh LEE	100	500	–	–	600
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	3,926	–	12	4,138
Mr. Sunny TAN	200	–	–	–	200
Mr. Carmelo Ka Sze LEE	200	–	–	–	200
Mr. Eddie Wing Chuen HO Junior	200	873	–	12	1,085
Mr. William Wing Lam WONG	200	3,599	19	12	3,830
Ir. Leo Kwok Kee LEUNG	200	3,599	–	12	3,811
Dr. Gordon YEN	27	–	–	–	27
	3,627	35,273	19	84	39,003

13. Emoluments of Directors and Highest Paid Employees (continued)

(a) Directors' emoluments (continued)

Mr. Henry Hin Moh LEE resigned as a non-executive director of the Company with effect from 1 January 2012.

Dr. Gordon YEN was appointed as an independent non-executive director of the Company with effect from 12 May 2012.

Mr. Ahito NAKAMURA was appointed as an independent non-executive director of the Company with effect from 17 December 2012.

Mr. Eddie Wing Chuen HO Junior resigned as an executive director of the Company with effect from 30 June 2013.

Other than fees and emoluments of HK$1,361,100 (2012: HK$627,000) 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 2013 and 30 June 2012.

(b) Highest paid employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2012: four) were directors of the Company whose emoluments are disclosed above. The emoluments of the remaining one (2012: one) individual was a director of HHI whose emolument was as follows:

	2012 HK$'000	**2013** **HK$'000**
Directors' fees	200	**200**
Salaries, bonus and other benefits	4,090	**4,240**
	4,290	**4,440**

14. Investment Properties

	The Group	
	2012 HK$'000	**2013** **HK$'000**
Completed investment properties at fair value:		
At beginning of the year	16,779,615	**18,631,482**
Additions on subsequent expenditure	80,165	**76,769**
Disposals of assets classified as held for sale	(634,926)	**(515,861)**
Transfer from property, plant and equipment	142,900	**91,300**
Fair value gain of completed investment properties	2,263,728	**8,725,358**
At end of the year	18,631,482	**27,009,048**
Included in assets classified as held for sale (Note (b))	(1,202,200)	**(688,750)**
	17,429,282	**26,320,298**

The Group's investment properties comprise:

	2012 HK$'000	**2013** **HK$'000**
Land and buildings in Hong Kong on		
Long leases	11,444,200	**15,456,450**
Medium-term leases	7,152,500	**11,516,400**
	18,596,700	**26,972,850**
Land and buildings in the PRC on medium-term leases	34,782	**36,198**
	18,631,482	**27,009,048**

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 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 of such properties amounting to HK$1,588,000 (2012: HK$7,193,000) 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$5 million (2012: HK$16 million) has been recognised in profit or loss. Such gain is included in the segment result 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 the market situation.

(c) The fair value of the Group's investment properties at 30 June 2012 and 30 June 2013 have 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, registered professional surveyor (M.R.I.C.S. and M.H.K.I.S.) not connected to the Group. For office premises, serviced apartments, car parks and retail outlets, the valuation is arrived at by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties or, where appropriate, by using direct comparison method by making reference to comparable sales transactions as available in the relevant market.

15. Property, Plant and Equipment

The Group

	Land and buildings in Hong Kong			
	Hotel property HK$'000	**Other properties** HK$'000	**Other assets** HK$'000	**Total** HK$'000
COST				
At 1 July 2011	474,872	377,822	582,546	1,435,240
Additions	–	4,848	24,701	29,549
Transfer to investment properties (Note)	–	(30,755)	–	(30,755)
Disposals	–	–	(10,074)	(10,074)
Disposal of a subsidiary (Note 36)	–	–	(18,725)	(18,725)
At 30 June 2012	474,872	351,915	578,448	1,405,235
Additions	–	5,446	38,974	44,420
Transfer to investment properties (Note)	–	(6,012)	–	(6,012)
Disposals	–	–	(6,427)	(6,427)
At 30 June 2013	**474,872**	**351,349**	**610,995**	**1,437,216**
DEPRECIATION				
At 1 July 2011	185,437	76,958	384,635	647,030
Provided for the year	9,272	12,843	50,024	72,139
Eliminated on transfer (Note)	–	(6,877)	–	(6,877)
Eliminated on disposals	–	–	(5,944)	(5,944)
Eliminated on disposal of a subsidiary (Note 36)	–	–	(16,673)	(16,673)
At 30 June 2012	194,709	82,924	412,042	689,675
Provided for the year	9,272	13,530	46,841	69,643
Eliminated on transfer (Note)	–	(2,620)	–	(2,620)
Eliminated on disposals	–	–	(5,701)	(5,701)
At 30 June 2013	**203,981**	**93,834**	**453,182**	**750,997**
CARRYING VALUES				
At 30 June 2013	**270,891**	**257,515**	**157,813**	**686,219**
At 30 June 2012	280,163	268,991	166,406	715,560

Note:

During the year, other properties with an aggregate fair value of HK$91.3 million (2012: HK$142.9 million) were transferred from property, plant and equipment to investment properties. The difference between the fair value of these properties and their carrying value at dates of transfer amounting to HK$87.9 million (2012: HK$119.0 million) has been dealt with in property revaluation reserve.

15. Property, Plant and Equipment (continued)

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

	The Group	
	2012 HK$'000	**2013** **HK$'000**
Hotel property on land under medium-term leases	280,163	**270,891**
Other properties on land under		
Long leases	169,523	**160,913**
Medium-term leases	99,468	**96,602**
	268,991	**257,515**

Other assets represent leasehold improvements and furniture, fixtures and equipment.

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:

Category of assets	**Estimated useful lives**
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

16. Investments in Subsidiaries

	The Company	
	2012 HK$'000	**2013** **HK$'000**
Unlisted shares, at cost less impairment	94,687	**333**
Deemed capital contribution	1,072,632	**1,090,214**
	1,167,319	**1,090,547**

Particulars of the principal subsidiaries are set out in note 44.

17. Amounts due from Subsidiaries

The amounts due from subsidiaries classified under non-current assets are unsecured, interest-free and have no fixed repayment terms. 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 is 2.2% (2012: ranged from 1.3% to 2.2%) per annum, representing the borrowing rates of the relevant subsidiaries.

18. Properties for Development and Properties under Development

Properties for development

	The Group	
	2012 HK$'000	**2013** **HK$'000**
COST		
At beginning of the year	978,433	**1,170,897**
Additions	192,464	**207,338**
Transfer to properties under development	–	**(486,860)**
At end of the year	1,170,897	**891,375**

Properties under development

	Commercial portion of HCII (investment properties) HK$'000	**Hotel portion of HCII (PPE)** HK$'000	**Total** HK$'000
At beginning of the year	–	–	–
Transfer from properties for development	243,250	243,610	486,860
Additions	1,875,195	1,890,238	3,765,433
Fair value gain on investment properties	2,249,555	–	2,249,555
At end of the year	**4,368,000**	**2,133,848**	**6,501,848**

On 26 June 2012, the Group received from the Hong Kong Government an offer of the amount of land premium for the land conversion in respect of the development of HCII. HCII is expected to comprise a conference hotel to be accounted for as properties, plant and equipment (hotel portion) and a retail podium, office spaces and car parking spaces to be accounted for as investment properties (collectively referred to as "commercial portion"). Prior to the land conversion as defined in the announcement of HHL dated 26 June 2012, the development plan of HCII had not been approved by the Hong Kong Government. Therefore, the cost of HCII could not be reliably allocated to the hotel and commercial portion and the fair value of commercial portion could not be reliably measurable. The carrying amount of HCII comprising development expenditure and other directly attributable expenses, carried at cost less any recognised impairment loss of HCII amounting to HK$486,860,000 as at 30 June 2012 was included in properties for development.

Subsequent to the acceptance of the land conversion offer with land premium of approximately HK$3,726 million for the development site to develop HCII and the approval of development plan by the Hong Kong Government, the Group obtained possession of the additional portion of the land for the development of HCII project in October 2012 and transferred the carrying amount of HCII to properties under development. With the information of the land premium and the approved development plan, the respective hotel and commercial portion can be reliably determined and the fair value of commercial portion of HCII can be reliably measured during the year ended 30 June 2013. Accordingly, total cost of approximately HK$487 million in respect of HCII have been allocated to commercial portion of HCII (investment properties) for an amount of HK$243 million and hotel portion of HCII (PPE) for an amount of HK$243 million based on their relative fair value. Fair value gain of HK$2.2 billion relating to the commercial portion is recognised in profit or loss during the year.

18. Properties for Development and Properties under Development (continued)

Properties under development (continued)

The hotel portion of HCII (PPE) is carried at cost less any recognised impairment loss. Depreciation of buildings commences when they are available for use.

Properties for development represents properties acquired for future development of which the development plan is yet to be fixed. The development cost cannot be determined at the end of the reporting period. Accordingly the fair value cannot be reliably measured and are measured at cost less recognised impairment loss.

The Group's major properties for development and properties under development are land under medium-term leases located in Hong Kong.

The fair value of the Group's investment properties under development at the end of the reporting period has been arrived at on the basis of a valuation carried out on that date by DTZ. The valuation is arrived at by direct comparison approach by making reference to comparable sales transactions as available in the relevant market and have allowed for construction cost to be expended and the development profit on the proposed development.

Included in the cost of properties under development is interest capitalised totalling HK$50.7 million (2012: HK$31.2 million).

19. Interests in Jointly Controlled Entities

	The Group	
	2012 HK$'000	**2013** **HK$'000**
Expressway projects in the PRC		
Unlisted investments, at cost		
Registered capital contribution	2,373,876	**2,373,876**
Additional cost of investments	2,759,215	**2,764,528**
	5,133,091	**5,138,404**
Share of post-acquisition comprehensive income, net of dividends received	4,062,064	**4,189,060**
Less: Accumulated amortisation	(1,061,842)	**(1,173,485)**
	8,133,313	**8,153,979**
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 dividends received	273,577	**380,843**
	905,444	**1,012,710**
Other unlisted investments	34,032	**10,609**
	9,072,789	**9,177,298**

19. Interests in Jointly Controlled Entities (continued)

Particulars of the Group's principal jointly controlled entities at 30 June 2012 and 30 June 2013 are as follows:

Name of company	Issued capital/ registered capital	Proportion of issued/ registered capital held by the Group		Principal activities
		2012	2013	
Incorporated in Hong Kong:				
Grand Site Development Limited ("Grand Site")	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	50%	**50%**	Operation of a bowling center
	10,250,000 "B" shares of HK$1 each			
Established in the PRC:				
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

Details of the principal jointly controlled entities at the end of the reporting period are as follows:

(a) GS Superhighway JV

GS Superhighway JV is established to undertake the development, operation and management of an expressway in Guangdong Province of the PRC running between Shenzhen and Guangzhou ("GS Superhighway"). The operation period is 30 years from the official opening date on 1 July 1997. 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.

19. Interests in Jointly Controlled Entities (continued)

(a) GS Superhighway JV (continued)

The Group's entitlement to the profit of the toll operations of GS Superhighway JV is 50% for the initial 10 years of operation period, 48% for the next 10 years and 45% for the last 10 years of the operation period.

The registered capital amounting to HK$702 million previously injected by the Group to GS Superhighway JV had been repaid to the Group by GS Superhighway JV during the year ended 30 June 2008.

(b) West Route JV

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 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 in equal share (i.e. each to contribute RMB294 million).

The initial estimated total investment for the Phase II West was 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 in equal share (i.e. each to contribute RMB858 million). 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 operation period for Phase II West is 25 years commencing from 25 June 2010.

The currently planned total investment for the 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). The operation period for Phase III West is 25 years commencing from 25 January 2013.

As at 30 June 2013, the approved registered capital of West Route JV was RMB4,263 million (2012: 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 respective 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 the Group and PRC joint venture partner. The repayments are required to be approved by the board of directors of West Route JV.

19. Interests in Jointly Controlled Entities (continued)

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

Pursuant to a co-operation agreement entered into between the Group and a PRC enterprise, a joint venture company, 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.

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:

	2012 HK$'000	**2013** **HK$'000**
Current assets	4,909,222	**4,614,363**
Non-current assets	16,086,500	**17,248,444**
Current liabilities	(5,078,082)	**(4,744,328)**
Non-current liabilities	(8,921,990)	**(9,970,019)**
Income	6,034,205	**4,619,814**
Expenses	(4,301,216)	**(3,622,941)**
Other comprehensive income	101,801	**314,566**

20. Interests in Associates

	The Group	
	2012 HK$'000	**2013** **HK$'000**
Cost of investments, unlisted	5	**–**
Share of post-acquisition comprehensive income, net of dividends received	21,236	**31,440**
	21,241	**31,440**

	The Company	
	2012 HK$'000	**2013** **HK$'000**
Unlisted shares, at cost	5	**–**

20. Interests in Associates (continued)

Particulars regarding the principal associate at 30 June 2012 and 30 June 2013, which is incorporated and operating in Hong Kong, are as follows:

	Proportion of nominal value of issued capital held by the Group		
Name of company	2012 %	**2013** **%**	**Principal activities**
Granlai Company Limited	46	**46**	Property investment

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

	2012 HK$'000	**2013** **HK$'000**
Total assets	57,655	**72,508**
Total liabilities	(11,517)	**(4,085)**
Net assets	46,138	**68,423**
Group's share of net assets of associates	21,241	**31,440**
Revenue	27,235	**7,422**
Profit for the year	24,135	**23,162**
Group's share of profits of associates for the year	11,525	**10,643**

21. Available-for-sale Investments

	The Group	
	2012 HK$'000	**2013** **HK$'000**
Unlisted equity investments, at cost	3,000	**9,044**

	The Company	
	2012 HK$'000	**2013** **HK$'000**
Unlisted equity investments, at cost	3,000	**3,000**

The unlisted equity investments are measured at cost because the Directors are of the opinion that their fair value cannot be measured reliably.

22. Amounts due from Jointly Controlled Entities

	Contractual interest rate	The Group 2012 HK$'000	The Group 2013 HK$'000
Grand Site — 200 Queen's Road East Project	–	2,116,788	**2,249,561**
West Route JV			
— Phase II West (RMB1,000 million)	6.2%	–	**1,263,000**
— Phase III West (RMB30 million)	6.0%	36,600	**37,890**
Heyuan JV (RMB500 million)	5.4%	610,000	**631,500**
Interest receivable	–	4,932	**20,546**
		2,768,320	**4,202,497**
Analysed for reporting purposes as:			
Current assets		651,532	**689,936**
Non-current assets		2,116,788	**3,512,561**
		2,768,320	**4,202,497**

The amounts due from jointly controlled entities classified as non-current assets are unsecured and have no fixed repayment terms except for the amount due from West Route JV in respect of Phase II West, which is repayable in April 2015.

The advance to Grant Site is subordinated which shall not be repaid until the loan and all amounts owing under the banking facilities that have been granted to Grant Site have been paid.

The amounts due from jointly controlled entities classified as current assets are unsecured and repayable within one year after the end of the reporting period.

23. Inventories

	The Group 2012 HK$'000	The Group 2013 HK$'000
Hotel and restaurant inventories	7,261	**7,818**

The cost of inventories recognised as an expense during the year amounted to HK$68,955,000 (2012: HK$92,139,000).

24. Stock of Properties

The cost of properties recognised as an expense during the year amounted to HK$184,615,000 (2012: HK$211,985,000).

At 30 June 2013, the stock of properties under development of HK$715 million (2012: HK$580 million) included in the consolidated statement of financial position are expected to be realised beyond one year from the end of the reporting period.

25. 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:

	The Group	
	2012 HK$'000	**2013** **HK$'000**
Receivables aged		
0–30 days	21,469	**41,891**
31–60 days	1,922	**21,680**
Over 60 days	8,648	**16,735**
	32,039	**80,306**
Less: Allowance for doubtful debts	(62)	**(633)**
	31,977	**79,673**
Interest receivable on bank deposits	30,811	**24,282**
Dividend receivable from jointly controlled entities	340,141	**283,400**
	402,929	**387,355**

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$14,752,000 (2012: HK$9,334,000) 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.

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

	2012 HK$'000	**2013** **HK$'000**
0–30 days	7,631	**12,579**
31–60 days	1,235	**2,107**
Over 60 days	468	**66**
Total	9,334	**14,752**

Movement in the allowance for doubtful debts:

	2012 HK$'000	**2013** **HK$'000**
Balance at beginning of the year	1,430	**62**
(Reversal) recognition of impairment losses	(1,368)	**571**
Balance at end of the year	62	**633**

26. Bank Balances and Cash

The Group

Bank balances and cash comprise cash held by the Group and bank balances which carry interest at market rates ranged from 0.01% to 4.20% (2012: 0.01% to 3.60%) per annum.

Included in the bank balances and cash are restricted bank balances of HK$374 million (2012: HK$439 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 balances held by subsidiaries amounting to approximately RMB1,397 million (2012: RMB1,480 million), US$1 million (2012: US$1 million) and HK$361 million (2012: HK$375 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 balances with maturity of three months or less which carry interest at market rates ranged from 0.01% to 4.20% (2012: 0.01% to 3.05%) per annum.

Included in bank balances and cash are bank deposit amounting to approximately RMB362 million (2012: RMB75 million) which is denominated in currency other than the functional currency of the Company.

27. 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	
	2012 HK$'000	**2013** **HK$'000**
Payables aged		
0–30 days	106,409	**122,746**
31–60 days	26,864	**6,692**
Over 60 days	25,550	**53,581**
	158,823	**183,019**
Retentions payable	42,467	**55,086**
Accrued construction and other costs	310,328	**281,877**
Accrued staff costs	36,056	**41,011**
Accrued interest on corporate bonds and bank borrowings	26,696	**3,342**
	574,370	**564,335**

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$41,800,000 (2012: HK$32,908,000) is due beyond twelve months from the end of the reporting period.

28. 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.

29. Amounts due from/to Subsidiaries

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

30. Amount due to a Minority Shareholder of a Subsidiary

The amount due to a minority shareholder of a subsidiary is interest-free, unsecured and agreed to be repaid based on the cash position of the relevant subsidiary of which the amount is not expected to be fully repaid 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.

31. Corporate Bonds

The corporate bonds with principal amounts of RMB600,000,000 (approximately HK$757,800,000 (2012: RMB600,000,000 (approximately HK$732,000,000))) are due on 18 May 2014 and carry interest at fixed rate of 1.55% (2012: 1.55%) per annum. The other corporate bonds with principal amounts of RMB1,380,000,000 (approximately HK$1,683,600,000) carried interest at fixed rate of 2.98% per annum and have been repaid on 13 July 2012. Both corporate bonds are unsecured and issued by HHI.

32. Bank Borrowings

	The Group	
	2012 HK$'000	**2013** **HK$'000**
Bank borrowings, unsecured	3,036,800	**6,419,000**
Carrying amount repayable:		
Within one year	70,800	**2,207,500**
In the second to fifth years inclusive	2,966,000	**4,211,500**
	3,036,800	**6,419,000**
Less: Amounts due for settlement within one year under current liabilities	(70,800)	**(2,207,500)**
Amounts due for settlement after one year	2,966,000	**4,211,500**

Included in bank borrowings are approximately HK$1,010 million (2012: HK$1,586 million) which carry interest at fixed rates ranging from 1.73% to 3.98% (2012: 1.73% to 3.98%) per annum, whereas the remaining HK$5,409 million (2012: HK$1,451 million) carry interest at floating rates ranging from 0.53% to 2.00% (2012: 0.62% to 1.86%) per annum.

Included in bank borrowings are borrowings of the subsidiaries approximately RMB300 million (2012: RMB300 million) which are denominated in currencies other than the functional currencies of the respective subsidiaries.

33. Share Capital

	Number of shares		Nominal value	
	2012 '000	**2013** **'000**	2012 HK$'000	**2013** **HK$'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	876,643	**871,863**	2,191,608	**2,179,658**
Issued during the year	74	**3,390**	185	**8,474**
Repurchased and cancelled during the year	(4,854)	**(3,614)**	(12,135)	**(9,034)**
At end of the year	871,863	**871,639**	2,179,658	**2,179,098**

33. Share Capital (continued)

During the year ended 30 June 2013, the Company issued a total of 3,389,700 ordinary shares at the subscription price of HK$21.45 each for 131,500 ordinary shares, HK$22.44 each for 3,129,600 ordinary shares and HK$26.35 each for 128,600 ordinary shares (2012: 74,000 ordinary shares at HK$21.45 each) for a total cash consideration of approximately HK$76.4 million (2012: HK$1.6 million) upon the exercise of the share options previously granted. These shares rank pari passu in all respects with the existing ordinary shares.

During the year ended 30 June 2013, the Company repurchased a total of 4,348,000 ordinary shares of the Company on Stock Exchange for a total consideration (including transaction costs) of approximately HK$111 million. Out of the 4,348,000 repurchased ordinary shares, 3,613,500 repurchased ordinary shares were cancelled during the year and the remaining 734,500 repurchased ordinary shares were cancelled subsequent to the end of the reporting period. The issued share capital of the Company has been reduced by par value of the ordinary shares repurchased and cancelled. The ordinary shares of the Company repurchased during the year ended 30 June 2013 were summarised as follows:

Month	Number of ordinary shares repurchased	Purchase price per share		Total consideration paid and payable (including transaction costs)
		Highest	Lowest	
	'000	HK$	HK$	HK$'000
June 2013	**4,348**	**26.55**	**24.20**	**111,014**

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 2013, the Company's 72,000 (2012: 72,000) issued shares with an aggregate nominal value of HK$180,000 (2012: 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.

33. 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$	Number of shares under options granted: Outstanding at 1 July 2011	Movements during the year: Granted	Movements during the year: Exercised	Movements during the year: Lapsed	At 30 June 2012: Outstanding	At 30 June 2012: Exercisable	Weighted average share price at the date of exercise HK$
Directors								
10 October 2006	22.44	288,000	–	–	–	288,000	288,000	N/A
Employees								
10 October 2006	22.44	4,960,400	–	–	(416,000)	4,544,400	4,544,400	N/A
15 November 2007	36.10	4,016,000	–	–	(128,000)	3,888,000	3,110,400	N/A
24 July 2008	26.35	1,068,000	–	–	(128,000)	940,000	640,800	N/A
11 March 2009	21.45	1,029,200	–	(74,000)	(383,200)	572,000	303,200	23.66
		11,361,600	–	(74,000)	(1,055,200)	10,232,400	8,886,800	
Weighted average exercise price		HK$27.55	N/A	HK$21.45	HK$24.21	HK$27.93	HK$27.47	

Date of grant	**Subscription price per share** HK$	**Number of shares under options granted: Outstanding at 1 July 2012**	**Movements during the year: Granted**	**Movements during the year: Exercised**	**Movements during the year: Lapsed**	**At 30 June 2013: Outstanding**	**At 30 June 2013: Exercisable**	**Weighted average share price at the date of exercise** HK$
Directors								
10 October 2006	22.44	288,000	–	(288,000)	–	**–**	**–**	28.22
Employees								
10 October 2006	22.44	4,544,400	–	(2,841,600)	(234,000)	**1,468,800**	**1,468,800**	29.19
15 November 2007	36.10	3,888,000	–	–	(416,000)	**3,472,000**	**3,472,000**	N/A
24 July 2008	26.35	940,000	–	(128,600)	(192,000)	**619,400**	**469,800**	32.35
11 March 2009	21.45	572,000	–	(131,500)	–	**440,500**	**306,100**	27.78
		10,232,400	–	(3,389,700)	(842,000)	**6,000,700**	**5,716,700**	
Weighted average exercise price		HK$27.93	N/A	HK$22.55	HK$30.08	**HK$30.67**	**HK$31.00**	

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

33.Share Capital (continued)

Share option schemes (continued)

(a) The Company (continued)

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

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

33. Share Capital (continued)

Share option schemes (continued)

(a) The Company (continued)

Date of Grant	Number of share options	Vesting period	Exercisable period	Exercise price per share HK$
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

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
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 reversed expenses of HK$73,000 for the year (2012: recognised expenses of HK$785,000) in relation to share options granted by the Company.

33. Share Capital (continued)

Share option schemes (continued)

(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.

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:

		Number of shares under options granted						
			Movements during the year			At 30 June 2012		
Date of grant	Subscription price per share HK$	Outstanding at 1 July 2011	Granted	Exercised	Lapsed	Outstanding	Exercisable	Weighted average share price at the date of exercise HK$
17 October 2006	5.858	4,368,000	–	–	(288,000)	4,080,000	4,080,000	N/A
19 November 2007	6.746	360,000	–	–	–	360,000	288,000	N/A
24 July 2008	5.800	400,000	–	–	–	400,000	240,000	N/A
		5,128,000	–	–	(288,000)	4,840,000	4,608,000	
Weighted average exercise price		HK$5.916	N/A	N/A	HK$5.858	HK$5.919	HK$5.910	

		Number of shares under options granted						
			Movements during the year			**At 30 June 2013**		
Date of grant	**Subscription price per share** HK$	**Outstanding at 1 July 2012**	**Granted**	**Exercised**	**Lapsed**	**Outstanding**	**Exercisable**	**Weighted average share price at the date of exercise** HK$
17 October 2006	5.858	4,080,000	–	–	–	**4,080,000**	**4,080,000**	N/A
19 November 2007	6.746	360,000	–	–	–	**360,000**	**360,000**	N/A
24 July 2008	5.800	400,000	–	–	–	**400,000**	**400,000**	N/A
		4,840,000	–	–	–	**4,840,000**	**4,840,000**	
Weighted average exercise price		HK$5.919	N/A	N/A	N/A	**HK$5.919**	**HK$5.921**	

33. Share Capital (continued)

Share option schemes (continued)

(b) HHI (continued)

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

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

33. Share Capital (continued)

Share option schemes (continued)

(b) HHI (continued)

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.

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.

No expense is recognised by the Group for the year (2012: HK$56,000) 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.

33. Share Capital (continued)

Share award scheme (continued)

(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.

34. 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.

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.

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.

34.Share Premium and Reserves (continued)

The Group (continued)

The Company

	Share 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 2011	8,777,440	72,110	9,872	68,282	(2,178)	5,215,002	14,140,528
Profit for the year and total comprehensive income for the year	–	–	–	–	–	2,619,270	2,619,270
Shares issued	1,916	–	–	(514)	–	–	1,402
Transaction costs attributable to issue of shares	(1)	–	–	–	–	–	(1)
Share repurchased	–	12,135	–	–	–	(95,978)	(83,843)
Recognition of equity-settled share-based payments	–	–	–	785	–	–	785
Forfeiture of vested share options	–	–	–	(3,134)	–	3,134	–
Dividends recognised as distribution during the year (note 11)	–	–	–	–	–	(1,295,251)	(1,295,251)
At 30 June 2012	8,779,355	84,245	9,872	65,419	(2,178)	6,446,177	15,382,890
Profit for the year and total comprehensive income for the year	–	–	–	–	–	589,594	589,594
Shares issued	84,722	–	–	(16,758)	–	–	67,964
Share repurchased (note 33)	–	9,034	–	–	–	(111,014)	(101,980)
Reversal of equity-settled share-based payments	–	–	–	(73)	–	–	(73)
Forfeiture of vested share options	–	–	–	(5,569)	–	5,569	–
Dividends recognised as distribution during the year (note 11)	–	–	–	–	–	(1,215,400)	(1,215,400)
At 30 June 2013	**8,864,077**	**93,279**	**9,872**	**43,019**	**(2,178)**	**5,714,926**	**14,722,995**

35. 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:

The Group

	Accelerated tax depreciation HK$'000	Fair value adjustments on investment properties HK$'000	Undistributed earnings of PRC subsidiaries and jointly controlled entities HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 July 2011	259,026	35,830	176,842	(148,379)	(1,695)	321,624
Exchange realignment	–	–	1,984	–	–	1,984
Charge (credit) to profit or loss	31,000	(12,705)	70,073	2,331	160	90,859
Release to profit or loss upon payment of withholding tax	–	–	(53,995)	–	–	(53,995)
At 30 June 2012	290,026	23,125	194,904	(146,048)	(1,535)	360,472
Exchange realignment	–	–	6,020	–	–	6,020
Charge (credit) to profit or loss	34,934	(10,568)	60,564	(295)	(56)	84,579
Release to profit or loss upon payment of withholding tax	–	–	(56,648)	–	–	(56,648)
At 30 June 2013	**324,960**	**12,557**	**204,840**	**(146,343)**	**(1,591)**	**394,423**

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$1,688 million (2012: HK$1,615 million) to offset against future profits. A deferred tax asset of HK$146 million (2012: HK$146 million) in respect of tax losses of HK$887 million (2012: HK$885 million) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$801 million (2012: HK$730 million) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

36. Disposal of a Subsidiary

During the year ended 30 June 2012, the Group completed the disposal of the entire interest in a subsidiary, namely Bayern Gourmet Food Company Limited ("BGF"), to an independent third party for a net cash consideration of HK$62 million. BGF was principally engaged in manufacture and sales of food which was included in "other operations" in the Group's segment information.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,052
Inventories	15,950
Trade and other receivables	28,805
Deposits and prepayments	3,097
Bank balances and cash	5,658
Trade and other payables	(7,363)
Tax liabilities	(1,908)
	46,291
Net assets attributable to non-controlling interests	(4,699)
Gain on disposal of a subsidiary	20,408
Net consideration received	62,000
Sale consideration received, satisfied in cash	64,590
Expenses paid on disposal	(2,590)
	62,000
Net cash inflow on disposal of a subsidiary	
Net consideration received in cash	62,000
Less: bank balances and cash disposed of	(5,658)
	56,342

BGF did not contribute significantly to the Group's cash flows, revenue, expenses, income tax expense or profit attributable to owners of the Company for the year ended 30 June 2012 and as such, the disposal of BGF does not constitute a discontinued operation.

37. Project Commitments

(a) Hopewell Centre II

Hopewell Centre II is one of the new major property projects of the Group. Under the current plan, the estimated total investment cost (including land premium) for the development will be around HK$9 billion, which has taken into account the estimated investment cost for a road improvement scheme, a green park open to the public, and an extensive tree-planting plan. As at 30 June 2013, the Group's commitment in respect of development costs of this project, which has been contracted for but not provided, was approximately HK$76 million.

(b) 200 Queen's Road East Project

The Group and a joint venture partner jointly hold and are developing the 200 Queen's Road East Project in Wan Chai through their shareholdings of 50% each in Grand Site, a joint venture company. The Group's total commitment to the project was approximately HK$4.5 billion at the end of the reporting period. This represented 50% of its total budgeted development and related costs. Up to the end of the reporting period, a total of approximately HK$2.2 billion (2012: HK$2.1 billion) had been contributed by the Group to Grand Site to finance project development costs. The remaining development costs are expected to be funded by bank borrowings of Grand Site.

(c) Liede Integrated Commercial Project

Under a cooperation agreement entered into by 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 fitting-out the property and purchasing the machinery and equipment required for its operation at a total cost of not less than RMB1,000 million. When the development is completed, the Group will be entitled to operate the property for a specified period by paying fixed amounts of monthly rental. These will increase progressively to a maximum annual rental of RMB148 million. The total rental payable during the operating period will be approximately RMB3 billion. Up to the end of the financial year, the Group had not incurred any material cost concerning this property project.

(d) Hopewell New Town

	2012 HK$'000	**2013** **HK$'000**
Authorised but not yet contracted for	302,749	**241,510**
Contracted for but not provided	565,239	**224,652**
	867,988	**466,162**

(e) Expressway projects

As at 30 June 2013, the Group had agreed, subject to approval of relevant authorities, to make additional capital contributions of approximately RMB403 million (2012: RMB403 million) to a jointly controlled entity, West Route JV, for the development of Phase II 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 the construction of Phase III West, which had been contracted for but not provided totalled approximately HK$50 million at 30 June 2013 (2012: HK$511 million).

37. Project Commitments (continued)

(f) Heyuan Power Plant Project

The Heyuan JV is currently studying a second phase of Heyuan Power Plant-development of 2 x 1,000MW coal-fired power plants. A feasibility study has been submitted to the relevant PRC authorities, and the Heyuan JV is currently applying for approvals to develop the second phase from relevant PRC authorities.

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

	2012 HK$'000	**2013** **HK$'000**
Contracted for but not provided	85,459	**47,808**

(g) Property renovation

	2012 HK$'000	**2013** **HK$'000**
Authorised but not yet contracted for	–	**169,593**
Contracted for but not provided	11,499	**39,562**
	11,499	**209,155**

38. Operating Lease Commitments

The Group as lessor

Rental income from investment properties earned during the year is approximately HK$796 million (2012: HK$701 million). At the end of the reporting period, the investment properties of the Group with an aggregate carrying amount of approximately HK$24,283 million (2012: HK$16,762 million) were rented out under operating leases. These properties have committed tenants for the next one to six 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:

	The Group	
	2012 HK$'000	**2013** **HK$'000**
Within one year	435,842	**549,533**
In the second to fifth years inclusive	568,045	**688,662**
After five years	133,585	**118,204**
	1,137,472	**1,356,399**

39. 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 previous years, the Group has entered into an agreement with the purchaser under which the purchaser and its affiliates have agreed to release and discharge the Group from all claims whatsoever that 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 that 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$54 million was made in the consolidated financial statements for previous years. This provision represents management's best estimate of the costs and expenses that would be required to discharge the Group's obligations and liabilities under the 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 period, and it is therefore classified as non-current.

(b) Guarantees

The Group

A subsidiary of the Company has acted as the guarantor for the repayment of mortgage bank loans amounting to HK$426 million as of 30 June 2013 (2012: HK$441 million) granted to purchasers of its properties.

The Company acted as the guarantor of bank loan facilities of Grand Site, a jointly controlled entity, to the extent of HK$2,500 million (2012: HK$2,500 million), of which HK$1,566 million had been utilised as at 30 June 2013 (2012: HK$1,445 million). The Group's equity interest in Grand Site has been pledged to banks concerned to secure the banking facilities that have been granted to Grand Site. The carrying amount of the pledged equity interest as at the end of the reporting period was insignificant to the Group.

In addition, as at 30 June 2013, the Company also provided corporate guarantee of up to HK$1,031 million (2012: Nil) for Grand Site to a bank in respect of a letter of undertaking issued by the bank to the Hong Kong Government for the purpose of facilitating the application of Grand Site to the Government for pre-sale consent of the 200 Queen's Road East Project.

In the opinion of the Directors, 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 2013, the credit facilities of the Company's subsidiaries and jointly controlled entities to the aggregate extent of HK$11,090 million (2012: HK$10,350 million) are guaranteed by the Company. Such facilities were utilised in relation to utility deposit guarantee and bank borrowings to the extent of HK$8,256 million (2012: HK$3,212 million) at the end of the reporting period.

40. 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 per month (increased to HK$25,000 per month effective 1 June 2012).

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$11,233,000 (2012: HK$9,809,000) 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.

41. Related Party Transactions

In addition to the balances of the Group and the Company and transactions 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$54.3 million (2012: HK$51.3 million). Such remuneration is determined by the Board having regard to the performance of individuals and market trends.

42. 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 review the capital structure periodically. As part of this review, the Directors 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.

43. Financial Instruments

(a) Categories of financial instruments

	The Group		The Company	
	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**
Financial assets:				
Loans and receivables at amortised cost (including bank balances and cash)	11,147,583	**9,947,101**	18,296,541	**36,673,252**
Available-for-sale investments	3,000	**9,044**	3,000	**3,000**
	11,150,583	**9,956,145**	18,299,541	**36,676,252**
Financial liabilities				
Liabilities at amortised cost	5,724,887	**7,481,877**	1,920,349	**20,880,720**

(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 and interest rate 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. The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates. 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).

43. Financial Instruments (continued)

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

Market risks (continued)

(i) Currency risk (continued)

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

The Group

	Assets		Liabilities	
	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**
HKD	374,192	**360,591**	8,297	**–**
RMB	2,441,074	**2,477,320**	366,000	**378,900**
US dollars	4,984	**4,750**	–	**–**

The Company

	Assets		Liabilities	
	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**
RMB	91,420	**458,449**	–	**–**
US dollars	3	**3**	–	**–**

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% (2012: 5%) change in foreign currency rates.

The Group

At the end of the reporting period, if the exchange rate of RMB against HKD/US dollars had been strengthened/weakened by 5% (2012: 5%), the Group's profit before taxation (including the impact on the Group's share of profits of jointly controlled entities) would increase/decrease by approximately HK$173.4 million for the year ended 30 June 2013 (2012: increase/decrease by approximately HK$181.1 million).

43. Financial Instruments (continued)

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

Market risks (continued)

(i) Currency risk (continued)

The Company

At the end of the reporting period, if the exchange rate of RMB against HKD/US dollars had been strengthened/weakened by 5% (2012: 5%), the Company's profit before taxation would increase/decrease by approximately HK$22.9 million for the year ended 30 June 2013 (2012: increase/decrease by approximately HK$4.6 million).

(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, amounts due to associates/a jointly controlled entity/a minority shareholder of a subsidiary, 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 bank deposits, amounts due from subsidiaries and amounts due to associates/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 in the next twelve months are expected to have limited fluctuation, the Directors 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.

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 39(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 the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

43. Financial Instruments (continued)

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

Credit risk (continued)

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 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 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 good reputation.

Liquidity risk

The Group's total assets less current liabilities and the Group's net current assets at 30 June 2013 amounted to HK$51,228 million (2012: HK$38,755 million) and HK$4,098 million (2012: HK$8,225 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 2013, the Group has unutilised banking facilities of HK$1,911 million (2012: HK$6,083 million).

Included in the bank borrowings are carrying amount of approximately HK$980 million (2012: HK$1,380 million) due within one year for which the Group expects, and has discretion, to roll over the amount for at least twelve months after the end of the reporting period under its existing loan facility with the same lenders and on similar term. Accordingly, the amount is classified as non-current liabilities and presented in the time band of "1–5 years" in the liquidity risk table.

The following tables detail the contractual maturity of the Group and the Company for their financial liabilities. Financial guarantee contracts, which represent the maximum amount of the guarantee in which the guarantee could be called, are shown separately. 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.

43. Financial Instruments (continued)

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

Liquidity risk (continued)

Liquidity 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 30.6.2013 HK$'000
2013								
Trade and other payables	–	131,795	5,171	49,305	51,834	–	238,105	238,105
Rental and other deposits	–	16,894	7,444	43,874	103,104	5,594	176,910	176,910
Amounts due to associates	–	1,598	–	–	–	–	1,598	1,598
Amount due to a jointly controlled entity	–	8,828	–	–	–	–	8,828	8,828
Amount due to a minority shareholder of a subsidiary	–	–	–	–	62,653	–	62,653	56,546
Corporate bonds	1.55	–	1,760	766,402	–	–	768,162	757,800
Bank borrowings	1.22–3.98	134,459	15,009	2,147,597	4,351,421	–	6,648,486	6,419,000
		293,574	29,384	3,007,178	4,569,012	5,594	7,904,742	7,658,787

	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 than1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30.6.2012 HK$'000
2012								
Trade and other payables	–	115,437	2,288	9,662	73,903	–	201,290	201,290
Rental and other deposits	–	13,710	9,772	47,492	105,398	1,660	178,032	178,032
Amounts due to associates	–	887	–	–	–	–	887	887
Amount due to a jointly controlled entity	–	10,057	–	–	–	–	10,057	10,057
Amount due to a minority shareholder of a subsidiary	–	–	–	–	71,055	–	71,055	60,253
Corporate bonds	1.55–2.98	1,685,386	1,928	9,418	742,009	–	2,438,741	2,415,600
Bank borrowings	0.62–3.98	70,800	10,690	53,455	3,073,980	–	3,208,925	3,036,800
		1,896,277	24,678	120,027	4,066,345	1,660	6,108,987	5,902,919

43. Financial Instruments (continued)

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

Liquidity risk (continued)

Liquidity risk tables (continued)

In addition, as mentioned in note 39, the Group has, at the end of the reporting period, given financial guarantees to banks in respect of banking facilities granted to purchasers of its properties and Grand Site of HK$426 million (2012: HK$441 million) and HK$3,531 million (2012: HK$2,500 million), respectively, of which no financial liability was recognised in the consolidated statement of financial position as financial guarantee contracts. In the event due to a failure by the purchasers or Grand Site to repay their borrowings, the Company will be required to settle the maximum guaranteed amounts upon demand by the counterparties to the financial guarantee contracts. The management expected that claims from the counterparties to the financial guarantee contracts are not probable.

The Company

	Repayable on demand or less than 1 month HK$'000	1–2 months HK$'000	Over 2 months but not more than 1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30.6.2013 HK$'000
2013							
Non-interest bearing							
Trade and other payables	22,612	–	–	–	–	22,612	22,612
Amounts due to associates	1,598	–	–	–	–	1,598	1,598
Amounts due to subsidiaries	20,856,510	–	–	–	–	20,856,510	20,856,510
	20,880,720	–	–	–	–	20,880,720	20,880,720

	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 30.6.2012 HK$'000
2012							
Non-interest bearing							
Trade and other payables	8,425	–	–	–	–	8,425	8,425
Amounts due to associates	887	–	–	–	–	887	887
Amounts due to subsidiaries	1,911,037	–	–	–	–	1,911,037	1,911,037
	1,920,349	–	–	–	–	1,920,349	1,920,349

43. Financial Instruments (continued)

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

Liquidity risk (continued)

Liquidity risk tables (continued)

In addition, as mentioned in note 39, the Company has, at the end of the reporting period, given financial guarantees to banks in respect of banking facilities granted to its subsidiaries and Grand Site of HK$7,559 million (2012:HK$7,850 million) and HK$3,531 million (2012: HK$2,500 million), respectively, of which no financial liability was recognised in the Company's statement of financial position as financial guarantee contracts. In the event due to a failure by its subsidiaries or Grand Site to repay their borrowings, the Company will be required to settle the maximum guaranteed amounts upon demand by the counterparties to the financial guarantee contracts. The management expected that claims from the counterparties to the financial guarantee contracts are not probable.

(c) Fair value

The fair value of financial assets and financial 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 cost in the consolidated financial statements approximate their fair values.

44. Principal Subsidiaries

The following list contains only the details of the subsidiaries at 30 June 2012 and 30 June 2013 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.

		Proportion of nominal value of issued capital held by the Company				
		Directly		Indirectly		
Name of company	Paid up issued/ registered capital	2012 %	**2013 %**	2012 %	**2013 %**	Principal activities
Incorporated in Hong Kong:						
Banbury Investments Limited	2 shares of HK$1 each	100	**100**	–	**–**	Property investment
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 office management services
Cineplex Asia Limited (formerly The Marquee Wedding Concept Company Limited)	1 share of HK$1 each	–	**–**	100	**100**	Cinema

44. 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		
		2012 %	2013 %	2012 %	2013 %	
Incorporated in Hong Kong: (continued)						
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	–	–	70.87	68.11	Loan financing
HHP Finance Limited	1 share of HK$1 each	–	–	–	100	Loan financing
HHP Management Services Limited	1 share of HK$1 each	–	–	–	100	Provision of office management services
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	–	–	69.10	66.41	Investment in expressway project
Hopewell Construction Company, Limited	200,000 shares of HK$100 each	–	–	100	100	Project management
Hopewell Guangzhou-Zhuhai Superhighway Development Limited (i)	2 shares of HK$1 each and 2 non-voting deferred shares of HK$1 each	–	–	70.87	68.11	Investment in expressway project
Hopewell Hotels Management Limited	3,000,000 shares of HK$1 each	–	–	100	100	Hotel management

44. 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		
		2012 %	2013 %	2012 %	2013 %	
Incorporated in Hong Kong: (continued)						
Hopewell Promotion and Entertainment Limited (formerly known as Happy Gain Resources Limited)	600,000 shares of HK$1 each	–	–	100	100	Event organisers
Hopewell Property Management Company Limited	2 shares of HK$100 each	–	–	100	100	Property management
Hopewell Property and Facility Management Limited	1 share of HK$1 each	–	–	100	100	Property management
Hopewell Real Estate Agency Limited	30,000 shares of HK$100 each	–	–	100	100	Leasing and marketing services
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 investment holding
IT Catering and Services Limited	2 shares of HK$1 each	–	–	100	100	Restaurant operations and provision of catering and services
KITEC 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 operation
Music Zone Company Limited	2 shares of HK$1 each	–	–	100	100	Provision of venue of live house business

44. 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		
		2012 %	2013 %	2012 %	2013 %	
Incorporated in Hong Kong: (continued)						
Panda Place Management Limited	300,000 shares of HK$1 each	–	–	100	100	Property management
QRE Plaza Limited	1,000 shares of HK$100 each	–	–	100	100	Property investment
QRE Plaza Management Limited	300,000 shares of HK$1 each	–	–	100	100	Property management
Slipform Engineering Limited	1,000,001 shares of HK$1 each	–	–	100	100	Investment holding
Wetherall Investments Limited	2 shares of HK$1 each and 2 non-voting deferred shares of HK$1 each	–	–	100	100	Property investment and investment holding
Yuba Company Limited	10,000 shares of HK$1 each	–	–	100	100	Property investment
Established in the PRC:						
廣州市合和（花都）置業發展有限公司	RMB129,000,000 (registered capital)	–	–	95	95	Property development
廣州市冠暉物業管理有限公司	RMB3,000,000 (registered capital)	–	–	91.84	91.84	Property management
廣州誠滿物業管理有限公司	RMB950,000,000 (registered capital)	–	–	100	100	Property management
Incorporated in the British Virgin Islands:						
Anber Investments Limited	1 share of US$1 each	–	–	100	100	Investment holding
Boyen Investments Limited	1 share of US$1 each	–	–	–	100	Investment holding

44. Principal Subsidiaries (continued)

Name of company	Paid up issued/ registered capital	Proportion of nominal value of issued capital held by the Company — Directly 2012 %	Directly 2013 %	Indirectly 2012 %	Indirectly 2013 %	Principal activities
Incorporated in the British Virgin Islands: (continued)						
Hopewell (Huadu) Estate Investment Company 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
Incorporated in the Cayman Islands:						
Hopewell Highway Infrastructure Limited (iii)	3,081,690,283 shares of HK$0.1 each	–	**–**	70.87	**68.11**	Investment holding
Hopewell Hong Kong Properties Limited (ii)	1,000,000,000 shares of HK$0.1 each	–	**–**	–	**100**	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 Hong Kong Stock Exchange, is operating in Hong Kong and the PRC through its subsidiaries and jointly controlled entities.

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

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

45. Approval of Financial Statements

The financial statements on pages 111 to 184 were approved and authorised for issue by the Board of Directors on 20 August 2013.

List of Major Properties

A. Completed Properties

1) Investment Properties and Hotel Property (Unless Otherwise Specified, these Properties are Held Under Medium Term Leases):

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

* Excluding carparking spaces.

2) Stock of Properties or Investment Property Held for Sale:

Properties	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)	40,100	95
Broadwood Twelve	12 Broadwood Road, Happy Valley, Hong Kong	Residential use	2,116	2,021 (saleable area)	100

B. Properties and Stock of Properties Under Development:

Properties/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)	765,900(iv)	95
200 Queen's Road East 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 construction	2018	9,840	101,600	100

C. Other Properties Held by the Group:

Location	Existing Use	Site area (sq.m.)	Existing Total Gross floor area (sq.m.)	Attributable to Group(v) (%)
155–159 Queen's Road East, Wan Chai	Commercial and Residential	200	903	100
161–167 Queen's Road East, Wan Chai	Commercial and Residential	265	1,837	95
55 Ship Street, Wan Chai (Nam Koo Terrace)	Vacant old house	685	453	100
1A Hillside Terrace, Wan Chai (St. Luke School)	Vacant school building	585	1,687	100
1–3 Hill Side Terrace, Wan Chai	Vacant land	516	–	100
53 Ship Street and 1–5 Schooner Street, Wan Chai (Miu Kang Terrace)	Commercial and Residential	342	1,476	92

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) Based on undivided shares.

Glossary

"2012 Annual General Meeting"	the annual general meeting of the Company held at Auditorium, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 18 October 2012 at 11:00 a.m.
"2013 Annual General Meeting"	the annual general meeting of the Company to be held at Auditorium, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Monday, 21 October 2013 at 11:00 a.m.
"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
"CBD"	Central business district
"CG Code"	Corporate Governance Code 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
"Extraordinary General Meeting"	the extraordinary general meeting of the Company held at Auditorium, 3/F., KITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Thursday, 23 May 2013 at 2:30 p.m.
"F&B"	food and beverage
"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 ended 30 June 2012
"FY13"	the financial year ended 30 June 2013
"FY14"	the financial year ending 30 June 2014
"FY15"	the financial year ending 30 June 2015
"FY16"	the financial year ending 30 June 2016
"FY17"	the financial year ending 30 June 2017
"GDP"	Gross Domestic Product
"GFA"	Gross floor area
"GPCG"	Guangdong Provincial Communication Group Company Limited
"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
"GWh"	Gigawatt hour
"Heyuan Power Plant"	the ultra super-critical coal-fired power plant project located in Heyuan City, Guangdong Province
"Heyuan JV"	SEC & Hopewell Power (Heyuan) Co., Ltd., the joint venture company holding Heyuan Power Plant
"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$0.10 each in the capital of HHI
"HHL Award Scheme"	the share award scheme adopted by the Company on 25 January 2007
"HHL website"	the website of the Company at www.hopewellholdings.com
"HK$" or "HKD"	Hong Kong Dollars, the lawful currency of Hong Kong
"HKEx Website"	the website of the Stock Exchange at www.hkexnews.hk
"Hong Kong"	Hong Kong Special Administrative Region of PRC
"Hong Kong Government"	the Government of Hong Kong
"Hopewell HK Properties"	Hopewell Hong Kong Properties Limited
"HZM Bridge"	the Hong Kong-Zhuhai-Macau Bridge
"Interim Report"	the interim report of the Company for the six months ended 31 December 2012
"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

Glossary

"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
"MWh"	Megawatt hour
"Nan Yue"	Guangdong Nan Yue Logistics Company Limited
"NGO"	Non-Government (Voluntary) Organisation
"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.ft."	square foot
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"URA"	Urban Renewal Authority
"US" or "United States"	the United States of America
"US$" or "USD"	US Dollars, the lawful currency of USA
"VAT"	Value-added tax
"West Route PRC Partner"	Guangdong Provincial Highway Construction Company Limited
"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

Corporate Information

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. 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 JP #
Mr. William Wing Lam WONG
Ir. Leo Kwok Kee LEUNG
Mr. Sunny TAN##
Dr. Gordon YEN##
Mr. Ahito NAKAMURA##

* 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

Dr. Gordon YEN
Chairman
Ms. Linda Lai Chuen LOKE
Mr. Guy Man Guy WU
Mr. Carmelo Ka Sze LEE JP

Company Secretary

Mr. Richard Cho Wa LAW

Registered Office

64th Floor, Hopewell Centre
183 Queen's Road East,
Wan Chai, 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+

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
China Construction Bank Corporation
Chong Hing Bank Limited
Citibank, N.A.
DBS Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Limited
Sumitomo Mitsui Banking Corporation

\+ 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
Depositary Bank	Citibank, N.A., U.S.A.

Investor Relations

Tel: (852) 2528 4975
Fax: (852) 2529 8602
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	21 February 2013
Ex-dividend Date	6 March 2013
Closure of Register of Members	8 March 2013
Interim dividend paid ***(HK45 cents per share)***	14 March 2013
Extraordinary General Meeting	23 May 2013
Final results announcement	20 August 2013
Closure of Register of Members	15 October 2013 to 21 October 2013 (both days inclusive)
2013 Annual General Meeting	21 October 2013
Ex-dividend Date	23 October 2013
Closure of Register of Members	25 October 2013
Proposed final dividend payable[#] ***(HK55 cents per share)***	31 October 2013

[#] Subject to approval by shareholders at the 2013 Annual General Meeting to be held on 21 October 2013.

Design and Production by: REF Financial Press Limited
www.ref.com.hk

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