Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 PRINCIPAL ACCOUNTING POLICIES

a. *Basis of preparation*

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value, as explained in the principal accounting policies set out below.

In the current year, the Group has applied, for the first time, the following new amendments and interpretations of Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2008.

HKAS 39 and HKFRS7 (Amendment)	Reclassification of financial assets
HK(IFRIC)-INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC)-INT 12	Service concession arrangements
HK(IFRIC)-INT 13	Customer loyalty programmes
HK(IFRIC)-INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

HK(IFRIC)-INT 12 gives guidance on the accounting for service concession arrangements and sets out the general principles on recognizing and measuring the obligations and related rights in service concession arrangements. The infrastructure assets of the Group are retrospectively recognized as concession assets under intangible assets instead of being recognized as toll road under fixed assets. The concession assets are amortized over the term of the concession on a straight line basis. The adoption of HK(IFRIC)-INT 12 has no material impact on the results for the current and prior accounting years. Details of the intangible assets are set out in note 18.

The adoption of other new HKFRSs has no significant impact on the Group's results and financial position.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of financial statements[3]
HKAS 23 (Revised)	Borrowing costs[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]
HKFRS 3 (Revised)	Business combinations[4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC)-INT 15	Agreements for the construction of real estate[3]
HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation[5]
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners[4]
HK(IFRIC)-INT 18	Transfers of assets from customers[6]

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

a. Basis of preparation (cont'd)

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2009

[4] Effective for annual periods beginning on or after 1 July 2009

[5] Effective for annual periods beginning on or after 1 October 2008

[6] Effective for transfers on or after 1 July 2009

It is not anticipated that these new and revised standards, amendments and interpretations will have a significant impact on the results and financial position of the Group.

b. Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 30 June each year and include the Group's interests in associates and jointly controlled entities on the basis set out in note 1(f) and note 1(g) below, respectively. The financial statements of the associates and jointly controlled entities used for this purpose are either coterminous with the financial statements of the Company or cover a year ended not more than three months before the Company's year-end. The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated profit and loss account from the effective dates of acquisition or to the effective dates of disposal. All material intra-group transactions and balances are eliminated on consolidation. Unrealized profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity.

Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

c. Revenue

Revenue derived from the Group's principal activities comprises proceeds from sale of properties (excluding proceeds on development properties sold prior to their completion which are included in deposits received on sale of properties under current liabilities), gross rental income from properties letting under operating leases, revenue from hotel operation and revenue derived from other business activities including property management, car parking and transport infrastructure management, toll road fees, logistics business, construction, financial services, telecommunications, internet infrastructure, enabling services, department store, container and cargo handling services. It does not include the revenue of associates and jointly controlled entities.

d. Revenue recognition

Revenue of a transaction is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and these benefits can be measured reliably, on the following bases:

(i) Property sales

Profit from sale of properties is recognized when the significant risks and rewards of ownership of the properties are transferred to the buyers. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

(ii) Rental income

Rental income from properties letting under operating leases is recognized on a straight line basis over the lease terms.

(iii) Hotel operation

Revenue from hotel operation is recognized upon provision of services.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

d. *Revenue recognition (cont'd)*

(iv) Interest income

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(v) Construction

Revenue in respect of building construction job is recognized based on the stage of completion method measured by reference to the proportion that costs incurred to date bear to estimated total costs for the contract.

(vi) Dividend income

Dividend income from investments is recognized when the right to receive payment is established.

(vii) Use of internet services centre facilities

Revenue from customer use of internet services centre facilities is recognized ratably over the term of the agreement.

(viii) Telecommunications

Revenue from telecommunication is recognized when the service is rendered.

(ix) Toll income

Toll income is recognized upon the passage of vehicles through tunnel.

(x) Department store

Revenue from sale of own-bought goods and commission income from concession and consignment sales is recognized upon the transfer of risks and rewards of ownership of the goods.

(xi) Provision of container and cargo handling service

Revenue from the provision of container and cargo handling service is recognized when the service is rendered.

(xii) Others

Other revenue including property management service fee, car parking management fee and insurance income are recognized when the services are rendered.

e. *Subsidiaries*

A subsidiary is a company in which the Company directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors. Investments in subsidiaries are carried in the balance sheet of the Company at cost less impairment loss.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

f. Associates

Associates are those in which the Group is in a position to exercise significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions.

Results of associates are incorporated in the consolidated profit and loss account to the extent of the Group's share of post-acquisition profits less losses.

Interests in associates are accounted for in the consolidated balance sheet under the equity method and are carried at cost as adjusted for post acquisition changes in the Group's share of their results and reserves less any identified impairment loss.

g. Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

(i) Jointly controlled entities

Jointly controlled entities involve the establishment of a separate entity in which the Group has a long-term interest and over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements.

Results of jointly controlled entities are incorporated in the consolidated profit and loss account to the extent of the Group's share of post-acquisition profits less losses whereas accounted for in the profit and loss account of the Company only to the extent of dividend income.

Interests in jointly controlled entities are accounted for in the consolidated balance sheet under the equity method and are carried at cost as adjusted for post-acquisition changes in the Group's share of their results and reserves less any identified impairment loss whereas in the balance sheet of the Company at cost less impairment loss.

(ii) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognized in the profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

h. Intangible assets

(i) Telecommunication licences

A mobile carrier licence, which is a right to establish and maintain a telecommunication network and to provide mobile services in Hong Kong, is recorded as an intangible asset. Upon the issue of the third generation licence ("3G Licence"), renewal of the Global System for Mobile communications licence ("GSM Licence") and Personal Communications Services Licence (the "PCS Licence") the cost thereof, which is the discounted value of the minimum annual fees payable over the licence period of 15 years and directly attributable costs of preparing the asset for its intended use, is recorded together with the related obligations. Amortization is provided on the straight line basis over the remaining licence period from the date when the asset is ready for its intended use.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

h. *Intangible assets (cont'd)*

(i) Telecommunication licences (cont'd)

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing and, accordingly, for the period prior to the asset being ready for its intended use, is capitalized as part of the intangible asset. Subsequent to the date when the asset is ready for its intended use, such finance costs will be charged to the consolidated profit and loss account in the year in which they are incurred.

Variable annual payments on top of the minimum annual payments, if any, are recognized in the consolidated profit and loss account as incurred.

(ii) Goodwill

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries, associates and jointly controlled entities at the date of acquisition.

Goodwill is tested annually for impairment loss and carried at cost less accumulated impairment losses. Impaired losses recognized on Goodwill are not reversed. Goodwill on acquisition of associates and jointly controlled entities is included in investments in associates and jointly controlled entities respectively.

Any excess of the Group's interest in fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in the profit and loss account.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(iii) Concession Assets

The Group has entered into a service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructures. Under the arrangement, the Group carries out the construction of toll road for the granting authority and receives in exchange a right to operate the toll road and the entitlement to toll fees collected from users of the toll road. The assets including the cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement are recorded as intangible assets. Once the underlying infrastructure of the concession arrangement is completed, the concession assets are amortized over the term of the concession on a straight line basis.

i. *Financial assets, financial liability and equity*

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired and is reviewed by the management at every reporting date.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise marketable securities held for trading. At each balance sheet date subsequent to initial recognition, these investments are measured at fair value. Changes in fair value are recognized in profit or loss.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

i. Financial assets, financial liability and equity (cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortized cost using the effective interest method less impairment loss. The carrying amount of loans and receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When loans and receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized in the balance sheet at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any identified impairment loss. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value by reference to market prices. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gains or losses previously recognized in equity are removed from equity and recognized in profit or loss. Any impairment loss on available-for-sale investments is recognized in profit or loss. Impairment loss on available-for-sale investments will not reverse through profit and loss account in subsequent periods.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment loss at each balance sheet date subsequent to initial recognition. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. Such impairment loss will not reverse in subsequent periods.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument. Financial liabilities are measured at amortized cost, using the effective interest method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

j. Derivative financial instruments and hedging

The Group only enters into derivative financial instruments in order to hedge its underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognizing the resulting gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as hedging instruments in hedges of the fair value of a recognized asset or liability.

For fair value hedges that qualify for hedge accounting, gains or losses arising on changes in fair values of hedging instruments are recognized immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

j. *Derivative financial instruments and hedging (cont'd)*

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair values of currency swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

k. *Properties*

(i) Investment properties

Investment properties are land and/or buildings held under a leasehold interest to earn long-term rental income and/or for capital appreciation. These include completed properties and land under development for future use as investment properties.

Investment properties are stated in the balance sheet at fair value and are valued at least annually by independent valuer. Increase or decrease in fair value of investment properties is recognized in the profit and loss account. Any gain or loss on disposal of an investment property is recognized in the profit and loss account.

(ii) Hotel properties

Hotel properties and their integral fixed plant used in the operation of hotel are included in fixed assets at cost less accumulated depreciation and accumulated impairment losses, if any. Any gain or loss on disposal of a hotel property is recognized in the profit and loss account.

(iii) Properties pending/under development for sale

Properties pending/under development for sale are included in stocks at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized and the anticipated costs to completion.

(iv) Stocks of completed properties

Completed properties remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Net realizable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

(v) Other properties

Other properties are properties held for production or administrative purposes and are included in fixed assets at cost less accumulated depreciation and accumulated impairment losses, if any. Any gain or loss on disposal of other properties is recognized in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

l. Depreciation

(i) Hotel properties

Depreciation is provided on hotel property and on its integral fixed plant and calculated on a straight line basis to write off their costs less accumulated impairment losses over their estimated useful lives at rates ranging from 0.68% to 20% per annum.

(ii) Properties under development

No depreciation is provided on properties under development.

(iii) Network equipment

Network equipment including assets and equipment of the digital mobile radio telephone and local multipoint distribution services networks are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight line basis to write off their costs over their estimated useful lives at rates ranging from 10% to 50% per annum. No depreciation is provided on network equipment under construction.

(iv) Other properties

The cost of leasehold land and construction cost of buildings thereon are depreciated on a straight line basis over the term of the lease.

(v) Other fixed assets

Other fixed assets including equipment, furniture, fixtures, vessels and vehicles are stated at cost less accumulated depreciation calculated on a straight line method to write off the assets over their estimated useful lives at rates ranging from 4% to 33.3% per annum.

m. Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred, and are subsequently measured either at amortized cost, using the effective interest method or at fair value when accounting for fair value hedges set out in note 1(j) applies.

Borrowing costs are expensed as incurred, except to the extent that they are capitalized as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale.

n. Materials

Materials comprising mainly building materials, hotel stocks, handsets and consumable goods are valued at the lower of cost, calculated on a weighted average cost basis, and net realizable value.

o. Translation of foreign currencies

Foreign currency transactions during the year are converted into Hong Kong dollars at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at closing rates of exchange ruling at the date of the balance sheet. Exchange differences arising in these cases are dealt with in the profit and loss account.

The assets and liabilities of overseas subsidiaries, associates and jointly controlled entities expressed in functional currencies are translated into Hong Kong dollars at the closing rates of exchange ruling at the date of balance sheet whereas the profit and loss accounts are translated at average exchange rates for the year. Exchange differences arising on translation are dealt with as a movement in reserves.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

p. Deferred taxation

Deferred tax liabilities are provided in full, using the liability method, on all temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax bases used in the computation of taxable profits, while deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

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

q. Provision

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle a present obligation and the amount of obligation can be reliably estimated.

r. Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be represented as the primary reporting format and geographical segments as the secondary reporting format.

s. Retirement benefits

The retirement benefit costs charged to the profit and loss account represent the contributions payable in respect of the current year to the Group's defined contribution schemes and Mandatory Provident Fund Schemes.

(Expressed in millions of Hong Kong dollars)

2 SEGMENT INFORMATION

Segment information is presented in respect of the Group's primary business segments and secondary geographical segments.

(a) Business segments

The following is an analysis of the revenue and results for the year of the Group and its share of results of associates and jointly controlled entities, analysed by business segments:

For the year ended 30 June 2009

	The Company and its subsidiaries		Associates and jointly controlled entities			
	Segment Revenue	Segment Results	Share of Revenue	Share of Results	Combined Revenue	Consolidated Results
Property						
Property sales	15,537	6,771	1,456	342	16,993	7,113
Rental income	8,133	6,019	1,630	1,252	9,763	7,271
	23,670	12,790	3,086	1,594	26,756	14,384
Hotel operation	1,162	179	465	116	1,627	295
Telecommunications	3,703	115	—	—	3,703	115
Other businesses	5,699	1,403	2,784	240	8,483	1,643
	34,234	14,487	6,335	1,950	40,569	16,437
Other income		229		—		229
Unallocated administrative expenses		(820)		—		(820)
Operating profit before change in fair value of investment properties		13,896		1,950		15,846
(Decrease)/increase in fair value of investment properties		(2,654)		326		(2,328)
Operating profit after change in fair value of investment properties		11,242		2,276		13,518
Net finance costs		(508)		(217)		(725)
Profit on disposal and impairment loss of available-for-sale and other investments		87		—		87
Profit before taxation		10,821		2,059		12,880
Taxation						
— Group		(1,885)		—		(1,885)
— Associates		—		(21)		(21)
— Jointly controlled entities		—		(411)		(411)
Profit after taxation		8,936		1,627		10,563

(Expressed in millions of Hong Kong dollars)

2 SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

For the year ended 30 June 2008

	The Company and its subsidiaries		Associates and jointly controlled entities			
	Segment Revenue	Segment Results	Share of Revenue	Share of Results	Combined Revenue	Consolidated Results
Property						
Property sales	7,040	4,263	4,470	2,180	11,510	6,443
Rental income	6,927	4,976	1,335	1,016	8,262	5,992
	13,967	9,239	5,805	3,196	19,772	12,435
Hotel operation	1,010	289	534	155	1,544	444
Telecommunications	4,073	344	—	—	4,073	344
Other businesses	5,421	1,340	2,710	65	8,131	1,405
	24,471	11,212	9,049	3,416	33,520	14,628
Other income		403		—		403
Unallocated administrative expenses		(887)		—		(887)
Operating profit before change in fair value of investment properties		10,728		3,416		14,144
(Decrease)/increase in fair value of investment properties		12,206		6,449		18,655
Operating profit after change in fair value of investment properties		22,934		9,865		32,799
Net finance costs		(705)		(403)		(1,108)
Profit on disposal and impairment loss of available-for-sale and other investments		1,056		—		1,056
Profit before taxation		23,285		9,462		32,747
Taxation						
— Group		(3,084)		—		(3,084)
— Associates		—		(31)		(31)
— Jointly controlled entities		—		(1,481)		(1,481)
Profit after taxation		20,201		7,950		28,151

Other businesses comprise revenue and profit derived from other activities including property management, car parking and transport infrastructure management, toll road fees, logistics business, construction, mortgage and other loan financing, internet infrastructure, enabling services, department store and container and cargo handling services.

Other income includes mainly investment income from equity and bonds investments.

(Expressed in millions of Hong Kong dollars)

2 SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

The Group's assets and liabilities by business segments are analysed as follows:

	The Company and its subsidiaries	Associates and jointly controlled entities	Total Assets	Total Liabilities
At 30 June 2009				
Property				
Development	**78,055**	**3,226**	**81,281**	**(8,363)**
Investment	**171,671**	**22,057**	**193,728**	**(3,693)**
	249,726	**25,283**	**275,009**	**(12,056)**
Hotel operation	**4,722**	**1,316**	**6,038**	**(126)**
Telecommunications	**3,033**	**—**	**3,033**	**(1,675)**
Other businesses	**8,866**	**2,243**	**11,109**	**(2,801)**
	266,347	**28,842**	**295,189**	**(16,658)**
Bank balances and deposits			**8,143**	**—**
Other financial assets			**3,555**	**—**
Bank and other borrowings			**—**	**(42,025)**
Unallocated corporate assets/(liabilities)			**2,928**	**(1,503)**
Taxation			**—**	**(3,990)**
Deferred taxation			**—**	**(18,719)**
Total assets/(liabilities)			**309,815**	**(82,895)**
At 30 June 2008				
Property				
Development	70,344	4,474	74,818	(4,799)
Investment	172,178	23,071	195,249	(3,595)
	242,522	27,545	270,067	(8,394)
Hotel operation	2,908	1,369	4,277	(116)
Telecommunications	3,109	—	3,109	(1,714)
Other businesses	9,194	2,279	11,473	(2,604)
	257,733	31,193	288,926	(12,828)
Bank balances and deposits			6,796	—
Other financial assets			5,283	—
Bank and other borrowings			—	(40,303)
Unallocated corporate assets/(liabilities)			510	(1,253)
Taxation			—	(4,171)
Deferred taxation			—	(18,903)
Total assets/(liabilities)			301,515	(77,458)

(Expressed in millions of Hong Kong dollars)

2 SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

The Group's depreciation and amortization and capital expenditure by business segments are analysed as follows:

	Depreciation and amortization		Capital expenditure	
	2009	2008	**2009**	2008
Property				
Development	**9**	6	**3,062**	13,872
Investment	**—**	12	**7,544**	10,125
	9	18	**10,606**	23,997
Hotel operation	**153**	107	**87**	166
Telecommunications	**514**	516	**467**	475
Other businesses	**570**	477	**499**	368
Unallocated corporate assets	**27**	8	**70**	184
	1,273	1,126	**11,729**	25,190

In addition to the above capital expenditure, the Group also acquired interests in subsidiaries as explained in note 32 (b).

(b) Geographical segments

An analysis of the Group's revenue by geographical area of principle markets is as follows:

	2009	2008
Hong Kong	**32,930**	23,716
Mainland China	**1,061**	475
Others	**243**	280
	34,234	24,471

An analysis of the Group's segment capital expenditures by geographical location of assets is as follows:

	2009	2008
Hong Kong	**8,509**	19,834
Mainland China	**3,183**	5,323
Others	**37**	33
	11,729	25,190

(Expressed in millions of Hong Kong dollars)

2 SEGMENT INFORMATION (cont'd)

(b) Geographical segments (cont'd)

An analysis of the consolidated carrying amount of segment assets by geographical location of assets is as follows:

	2009			2008		
	The Company and its subsidiaries	**Associates and jointly controlled entities**	**Consolidated**	The Company and its subsidiaries	Associates and jointly controlled entities	Consolidated
Hong Kong	**227,537**	**22,724**	**250,261**	220,559	26,150	246,709
Mainland China	**38,654**	**3,161**	**41,815**	37,025	2,169	39,194
Singapore	**—**	**2,957**	**2,957**	—	2,874	2,874
Others	**156**	**—**	**156**	149	—	149
	266,347	**28,842**	**295,189**	257,733	31,193	288,926

3 NET FINANCE COSTS

	2009	2008
Interest expenses on		
Bank loans and overdrafts	**682**	1,194
Other loans wholly repayable within five years	**97**	138
Other loans not wholly repayable within five years	**255**	213
	1,034	1,545
Notional non-cash interest accretion	**82**	80
Less: Portion capitalized	**(514)**	(703)
	602	922
Interest income on bank deposits	**(94)**	(217)
	508	705

Interest is capitalized at an average rate of approximately 2.13% per annum (2008: 3.80% per annum).

Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of asset retirement obligations and contractual obligations of telecommunications licence recognized in the balance sheet to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(Expressed in millions of Hong Kong dollars)

4 PROFIT ON DISPOSAL AND IMPAIRMENT LOSS OF AVAILABLE-FOR-SALE AND OTHER INVESTMENTS

	2009	2008
Profit on deemed partial disposal of interest in a subsidiary	**—**	2
Profit on disposal of interests in jointly controlled entities	**—**	23
Profit on disposal of available-for-sale investments	**319**	1,031
Impairment of available-for-sale investments	**(232)**	—
	87	1,056

5 PROFIT BEFORE TAXATION

	2009	(Restated) 2008
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**8,218**	2,401
Cost of other inventories sold	**435**	624
Depreciation and amortization of hotel properties	**136**	97
Depreciation of other properties, plant and equipment	**813**	707
Amortization of intangible assets (included in cost of sales)	**324**	322
Impairment of goodwill	**34**	31
Staff costs (including directors' emoluments and retirement schemes contributions)	**3,479**	3,297
Auditors' remuneration	**14**	14
Loss on disposal of other fixed assets	**2**	14
Loss on disposal of financial assets at fair value through profit or loss	**13**	—
Fair value loss on financial assets at fair value through profit or loss	**148**	12
and crediting:		
Dividend income from:		
listed investments	**212**	202
unlisted investments	**3**	6
Interest income from listed debt securities	**91**	63
Profit on disposal of financial assets at fair value through profit or loss	**—**	22

(Expressed in millions of Hong Kong dollars)

6 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

Name of director	Fees	Salaries, allowances and benefits	Discretionary Bonuses	Retirement scheme contributions	2009 Total emoluments	2008 Total emoluments
Executive Directors						
Kwok Ping-kwong, Thomas	**0.14**	**1.69**	**0.07**	**0.16**	**2.06**	2.10
Kwok Ping-luen, Raymond	**0.25**	**1.75**	**0.07**	**0.16**	**2.23**	2.27
Chan Kai-ming	**0.10**	**2.76**	**0.11**	**0.25**	**3.22**	3.29
Chan Kui-yuen, Thomas	**0.13**	**3.64**	**6.14**	**0.34**	**10.25**	9.33
Kwong Chun	**0.10**	**2.17**	**1.69**	**—**	**3.96**	3.92
Wong Yick-kam, Michael	**0.33**	**6.00**	**2.52**	**0.56**	**9.41**	13.41
Wong Chik-wing, Mike	**0.10**	**9.32**	**3.77**	**0.65**	**13.84**	13.98
Non-Executive Directors						
Kwong Siu-hing	**0.12**				**0.12**	0.01
Kwok Ping-sheung, Walter (Note a)	**0.13**				**0.13**	2.84
Lee Shau-kee	**0.11**				**0.11**	0.11
Woo Po-shing	**0.10**				**0.10**	0.10
Kwan Cheuk-yin, William	**0.15**				**0.15**	0.15
Lo Chiu-chun, Clement	**0.15**				**0.15**	0.15
Independent Non-Executive Directors						
Dicky Peter Yip	**0.35**				**0.35**	0.37
Wong Yue-chim, Richard	**0.21**				**0.21**	0.21
Cheung Kin-tung, Marvin	**0.34**				**0.34**	0.19
Li Ka-cheung, Eric	**0.51**				**0.51**	0.52
Past director						
Chung Sze-yuen	**0.09**				**0.09**	0.32
Fung Kwok-king, Victor	**—**				**—**	0.04
Total 2009	**3.41**	**27.33**	**14.37**	**2.12**	**47.23**	53.31
Total 2008	3.47	26.72	21.12	2.00		

(Expressed in millions of Hong Kong dollars)

6 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (cont'd)

The above analysis included three (2008: three) individuals whose emoluments were among the five highest pay in the Group. Details of the emoluments paid to the remaining two (2008: two) individuals are:

	2009	2008
Salaries, allowances and benefits in kind	**13.50**	11.97
Discretionary bonus	**7.08**	13.99
Retirement scheme contributions	**0.99**	0.95
	21.57	26.91

Number of employees whose emoluments fell within:-

Emoluments Band			**Number**	Number
HK$M		HK$M	**of Employees**	of Employees
8.5	—	9.0	**1**	—
11.0	—	11.5	**—**	1
12.5	—	13.0	**1**	—
15.5	—	16.0	**—**	1
			2	2

Note:

(a) Mr. Kwok Ping-sheung, Walter ceased to be the Chairman and Chief Executive of the Company on 27 May 2008 and was re-designated as a Non-Executive Director on the same date. His salaries, allowances and benefits for 2008 included HK$0.77 million for leave pay. pro-rata double pay and payment in lieu of notice.

7 STAFF RETIREMENT SCHEMES

The Group operates a number of defined contribution schemes for all qualified employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions to these schemes are made by both the employers and employees at rates ranging from 5% to 10% on the employees' salary.

With effect from 1 December 2000, the Group sets up an employer sponsored scheme ("MPF Scheme") for other employees. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to profit and loss account as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK$180 million (2008: HK$169 million). Forfeited contributions for the year of HK$2 million (2008: HK$4 million) were used to reduce the existing level of contributions.

(Expressed in millions of Hong Kong dollars)

8 TAXATION

	2009	2008
Company and subsidiaries		
Current taxation		
Hong Kong Profits Tax	**1,949**	1,142
Under/(over) provision in prior years	**29**	(4)
	1,978	1,138
Tax outside Hong Kong	**91**	112
	2,069	1,250
Deferred taxation (credit)/charge		
Change in fair value of investment properties	**(427)**	1,629
Other origination and reversal of temporary differences	**243**	205
	(184)	1,834
	1,885	3,084

(a) Hong Kong Profits Tax is provided at the rate of 16.5% (2008: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rate:

	2009	2008
Profit before share of results of associates, jointly controlled entities and taxation	**10,821**	23,285
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	**1,785**	3,842
Effect of change in tax rate and different tax rates of subsidiaries operating outside Hong Kong	**37**	330
Net effect of non-deductible expenses and non-taxable revenue	**80**	(337)
Utilization/recognition of tax losses not previously recognized	**(34)**	(5)
Tax losses and other temporary differences not recognized	**37**	(41)
Decrease in opening deferred tax liabilities relating to change in fair value of investment properties resulting from a decrease in applicable tax rate	**—**	(721)
Others	**(20)**	16
Tax expenses	**1,885**	3,084

(c) The tax assessments for certain subsidiaries of the Group for certain prior years have not been agreed with the relevant tax authorities. Provision has been made by the Group for these liabilities based on the best professional advice available. The final liabilities in respect of these outstanding assessments may differ from provisions made, giving rise to further provisions or a write back for provisions already made.

(Expressed in millions of Hong Kong dollars)

9 DIVIDENDS

	2009	2008
Interim dividend of HK$0.80 per share based on 2,564 million shares (2008: HK$0.80 per share based on 2,564 million shares) paid	**2,051**	2,051
Proposed final dividend of HK$1.70 per share based on 2,564 million shares (2008: HK$1.70 per share based on 2,564 million shares)	**4,359**	4,359
	6,410	6,410

10 EARNINGS PER SHARE

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK$10,356 million (2008: HK$27,602 million) and on the weighted average number of shares in issue during the year of 2,564,333,362 (2008: 2,538,581,996).

No diluted earnings per share for the year ended 30 June 2009 and 30 June 2008 is presented as there are no potential dilutive ordinary shares.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$12,415 million (2008: HK$12,186 million), excluding the effect of fair value changes on investment properties. A reconciliation of profit is as follows:

	2009	2008
Profit attributable to the Company's shareholders as shown in the consolidated profit and loss account	**10,356**	27,602
Decrease/(increase) in fair value of investment properties	**2,654**	(12,206)
Deferred tax (credit)/charge on change in fair value of investment properties	**(427)**	2,350
Decrease in opening deferred tax liabilities related to change in fair value of investment properties resulting from decrease in applicable tax rate	**—**	(721)
Fair value gains of disposed properties realized	**53**	435
(Decrease)/increase in fair value of investment properties net of deferred tax attributable to minority interests	**(26)**	196
Fair value deficit and related deferred tax of disposed properties held by jointly controlled entities realized	**(8)**	—
Share of increase in fair value of investment properties net of deferred tax of associates and jointly controlled entities	**(187)**	(5,470)
Underlying profit attributable to the Company's shareholders	**12,415**	12,186

(Expressed in millions of Hong Kong dollars)

11 INVESTMENT PROPERTIES

The Group

(a) Movement during year

Valuation	
At 1 July 2007	135,143
Acquired on acquisition of subsidiaries	2,658
Additions	3,237
Transfer from	
— properties under development	6,161
— other fixed assets	233
— properties for sale	838
Disposals	(39)
Transfer to	
— properties for sale	(3,040)
Exchange difference	1,896
Increase in fair value	12,206
At 30 June 2008 and 1 July 2008	159,293
Acquired on acquisition of subsidiaries	**292**
Additions	**2,128**
Transfer from	
— properties under development	**2,108**
— properties for sales	**234**
— deposits for acquisition of properties	**100**
Disposals	**(31)**
Transfer to	
— properties for sale	**(782)**
— other properties	**(2,038)**
Exchange difference	**(57)**
Decrease in fair value	**(2,654)**
At 30 June 2009	**158,593**

(b) Value of properties shown above comprises:

	2009	2008
Properties in Hong Kong held under		
Long lease (not less than 50 years)	**22,353**	25,817
Medium-term lease (less than 50 years but not less than ten years)	**114,996**	112,289
Properties outside Hong Kong held under		
Long lease (not less than 50 years)	**993**	961
Medium-term lease (less than 50 years but not less than ten years)	**20,251**	20,226
	158,593	159,293

(c) Investment properties revaluation

The Group's investment properties have been revalued as at 30 June 2009 by Knight Frank Petty Limited, independent professional valuers, on a market basis, which has taken into account comparable market transactions and the net income derived from existing tenancies with due allowance for reversionary income potential.

(d) Profit on disposal of the Group's investment properties during the year amounted to HK$28 million (2008: loss of HK$39 million).

(Expressed in millions of Hong Kong dollars)

12 FIXED ASSETS

	Hotel Properties	Properties under Development	Other Properties	Network Equipment	Toll Road	Other Fixed Assets	Total
The Group							
(a) Movement during year							
Cost							
At 1 July 2007							
— as originally stated	3,862	9,723	2,552	3,105	5,268	2,311	26,821
— change in accounting policy	—	—	—	—	(5,268)	—	(5,268)
— as restated	3,862	9,723	2,552	3,105	—	2,311	21,553
Acquired on acquisition of subsidiaries	—	—	—	—	—	6	6
Additions	144	4,230	69	416	—	576	5,435
Transfer from							
— properties under development	—	—	102	—	—	—	102
— other properties	—	—	—	—	—	2	2
— other fixed assets	5	—	—	—	—	—	5
— properties for sale	—	1,046	—	—	—	—	1,046
Disposals	—	—	—	(129)	—	(154)	(283)
Transfer to							
— investment properties	—	(6,161)	—	—	—	(233)	(6,394)
— hotel properties	—	—	—	—	—	(5)	(5)
— other properties	—	(102)	—	—	—	—	(102)
— other fixed assets	—	—	(2)	—	—	—	(2)
Exchange difference	—	170	2	—	—	23	195
At 30 June 2008 and 1 July 2008, as restated	4,011	8,906	2,723	3,392	—	2,526	21,558
Acquired on acquisition of subsidiaries	**—**	**—**	**—**	**—**	**—**	**109**	**109**
Additions	**46**	**5,124**	**85**	**368**	**—**	**531**	**6,154**
Transfer from							
— properties under development	**1,896**	**—**	**—**	**—**	**—**	**—**	**1,896**
— investment properties	**—**	**—**	**2,038**	**—**	**—**	**—**	**2,038**
— deposits for acquisition of land	**—**	**97**	**—**	**—**	**—**	**—**	**97**
Disposals	**(1)**	**—**	**—**	**(94)**	**—**	**(112)**	**(207)**
Transfer to							
— properties for sale	**—**	**(27)**	**—**	**—**	**—**	**—**	**(27)**
— investment properties	**—**	**(2,108)**	**—**	**—**	**—**	**—**	**(2,108)**
— hotel properties	**—**	**(1,896)**	**—**	**—**	**—**	**—**	**(1,896)**
Exchange difference	**—**	**(10)**	**—**	**—**	**—**	**—**	**(10)**
At 30 June 2009	**5,952**	**10,086**	**4,846**	**3,666**	**—**	**3,054**	**27,604**
Accumulated depreciation							
At 1 July 2007							
— as originally stated	1,138	—	867	1,410	644	1,286	5,345
— change in accounting policy	—	—	—	—	(644)	—	(644)
— as restated	1,138	—	867	1,410	—	1,286	4,701
Charge for the year	97	—	85	386	—	236	804
Disposals	—	—	—	(119)	—	(145)	(264)
At 30 June 2008 and 1 July 2008, as restated	1,235	—	952	1,677	—	1,377	5,241
Charge for the year	**136**	**—**	**106**	**383**	**—**	**324**	**949**
Disposals	**(1)**	**—**	**—**	**(91)**	**—**	**(106)**	**(198)**
At 30 June 2009	**1,370**	**—**	**1,058**	**1,969**	**—**	**1,595**	**5,992**
Net book value at 30 June 2009	**4,582**	**10,086**	**3,788**	**1,697**	**—**	**1,459**	**21,612**
Net book value at 30 June 2008, as restated	2,776	8,906	1,771	1,715	—	1,149	16,317

(Expressed in millions of Hong Kong dollars)

12 FIXED ASSETS (cont'd)

(b) Net book value of properties shown above comprises:

	2009	2008
Properties in Hong Kong held under		
Long lease (not less than 50 years)		
Hotel properties	**767**	785
Properties under development	**15**	8
Other properties	**2,374**	365
	3,156	1,158
Medium-term lease (less than 50 years but not less than ten years)		
Hotel properties	**3,814**	1,991
Properties under development	**5,342**	6,616
Other properties	**1,366**	1,380
	10,522	9,987
Properties outside Hong Kong held under		
Medium-term lease (less than 50 years but not less than ten years)		
Properties under development	**4,728**	2,282
Other properties	**50**	26
	4,778	2,308
	18,456	13,453

(c) The carrying amount of properties under development as at 30 June 2009 included interest capitalized in the amount of HK$498 million (2008: HK$804 million).

13 SUBSIDIARIES

The Company

	2009	2008
Unlisted shares, at cost	**30,074**	30,074

Particulars regarding principal subsidiaries are set out on pages 176 to 180.

(Expressed in millions of Hong Kong dollars)

14 ASSOCIATES

The Group

	2009	2008
Unlisted shares, at cost less impairment loss	**31**	28
Hong Kong listed shares, at cost	**585**	585
Share of post-acquisition reserves	**2,179**	2,172
	2,795	2,785
Amounts due from associates	**255**	609
	3,050	3,394
Market value of Hong Kong listed shares	**2,703**	4,440

The Group's effective interest in the revenues, results, assets and liabilities of its associates are summarised below:

	2009	2008
Non-current assets	**3,730**	3,868
Current assets	**1,512**	1,588
Current liabilities	**(794)**	(806)
Non-current liabilities	**(1,653)**	(1,865)
Net assets	**2,795**	2,785
Revenue	**2,309**	2,818
Fair value change of investment properties net of related deferred tax	**(11)**	7
Profit for the year	**215**	432

Particulars regarding principal associates are set out on page 182.

15 JOINTLY CONTROLLED ENTITIES

The Group

	2009	2008
Unlisted shares, at cost less impairment loss	**725**	844
Share of post-acquisition reserves	**15,736**	15,331
	16,461	16,175
Amounts due from jointly controlled entities	**9,331**	11,624
	25,792	27,799

(Expressed in millions of Hong Kong dollars)

15 JOINTLY CONTROLLED ENTITIES (cont'd)

The Group's effective interest in the revenues, results, assets and liabilities of its jointly controlled entities are summarised below:

	2009	2008
Non-current assets	**45,818**	38,057
Current assets	**15,578**	16,278
Current liabilities	**(5,848)**	(3,130)
Non-current liabilities	**(39,087)**	(35,030)
Net assets	**16,461**	16,175
Revenue	**4,026**	6,231
Fair value change of investment properties net of related deferred tax	**198**	5,463
Profit for the year	**1,412**	7,518

Particulars regarding principal jointly controlled entities are set out on page 181.

16 LOAN RECEIVABLES

The Group

	2009	2008
Mortgage loan receivables	**511**	791
Less: Amount due within one year included under current assets	**(46)**	(98)
	465	693

Mortgage loan receivables are secured on properties and repayable by monthly instalments with various tenors not more than 20 years at the balance sheet date and carry interest at rates with reference to banks' lending rates.

As at 30 June 2009, 5% (2008: 9%) of loan receivables have been overdue but not impaired, of which 96% (2008: 99%) are aged less than three months since the due dates. These relate to a number of independent customers for whom there is no recent history of default and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of loan receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan receivables directly. The balance and movement of the impairment allowance as at 30 June 2009 and 30 June 2008 is not significant.

(Expressed in millions of Hong Kong dollars)

17 OTHER FINANCIAL ASSETS

The Group

	2009	2008
Held-to-maturity debt securities		
Listed debt securities, overseas	**354**	41
Available-for-sale debt securities		
Listed debt securities, overseas	**561**	758
Listed debt securities, Hong Kong	**46**	—
Unlisted debt securities	**8**	—
	615	758
Available-for-sale equity securities		
Listed equity securities, overseas	**534**	860
Listed equity securities, Hong Kong	**1,045**	2,257
Unlisted equity securities	**405**	650
	1,984	3,767
	2,953	4,566
Market value of listed securities		
Listed overseas	**1,458**	1,659
Listed in Hong Kong	**1,091**	2,257
	2,549	3,916

Unlisted securities are measured at cost less impairment.

18 INTANGIBLE ASSETS

The Group

	Concession assets	Goodwill	Telecommunications licences	Total
At 1 July 2007				
— as originally stated	—	—	634	634
— change in accounting policy	4,624	—	—	4,624
— as restated	4,624	—	634	5,258
Additions	—	66	—	66
Impairment	—	(31)	—	(31)
Amortization	(258)	—	(64)	(322)
At 30 June 2008 and 1 July 2008, as restated	4,366	35	570	4,971
Additions	**—**	**34**	**—**	**34**
Impairment	**—**	**(34)**	**—**	**(34)**
Amortization	**(259)**	**—**	**(65)**	**(324)**
At 30 June 2009	**4,107**	**35**	**505**	**4,647**

(Expressed in millions of Hong Kong dollars)

18 INTANGIBLE ASSETS (cont'd)

Concession assets represent cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructure less accumulated amortization and impairment loss.

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. At the balance sheet date, an impairment test was performed by comparing the carrying amount of the business with the recoverable amount.

Telecommunications licences represent the discounted value of the annual fees payable for the telecommunications licences over the licence period less accumulated amortization and impairment loss. The corresponding non-current and current portion of these contractual liabilities are recorded in other long-term liabilities and other payables respectively.

19 PROPERTIES FOR SALE

The Group

	2009	2008
Properties pending development for sale	**19,812**	26,505
Properties under development for sale	**39,297**	32,926
Stock of completed properties for sale	**9,238**	5,986
	68,347	65,417

20 DEBTORS, PREPAYMENTS AND OTHERS

		2009		2008	
	Notes	**The Group**	**The Company**	The Group	The Company
Materials		**196**	**—**	171	—
Debtors, deposits and prepayments		**14,123**	**7**	8,290	7
Deposits for acquisition of properties		**562**	**—**	2,382	—
Amounts due from customers for contract works	20a	**50**	**—**	84	—
Short-term loans		**287**	**—**	540	—
Derivative financial instruments	20b	**393**	**—**	85	—
		15,611	**7**	11,552	7

Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rents in respect of leased properties are payable in advance by the tenants. Other trade debtors settle their accounts according to the payment terms as stated in the respective contracts.

Included in debtors, prepayments and others of the Group are trade debtors of HK$11,661 million (2008: HK$4,966 million), of which 95% (2008: 94%) are aged less than 60 days, 1% (2008: 1%) between 61 to 90 days and 4% (2008: 5%) more than 90 days.

As at 30 June 2009, 7% (2008: 14%) of trade debtors were past due but not impaired, of which 85% (2008: 86%) are aged less than three month since the due dates. These relate to a number of independent customers for whom there is no recent history of default and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The balance and movement of the impairment allowance as at 30 June 2009 and 30 June 2008 is not significant.

(Expressed in millions of Hong Kong dollars)

20 DEBTORS, PREPAYMENTS AND OTHERS (cont'd)

20a. Amounts due from/(to) customers for contract works

The Group

	Notes	**2009**	2008
Contract costs incurred plus recognized profits less recognized losses		**729**	1,248
Less: Progress billings		**(687)**	(1,196)
		42	52
Represented by:			
Due from customers included in current assets	20	**50**	84
Due to customers included in current liabilities	25	**(8)**	(32)
		42	52

20b. Derivative financial instruments

		2009		2008	
	Notes	**Assets**	**Liabilities**	Assets	Liabilities
Fair value hedges	20 & 25				
— interest rate swaps		**391**	**—**	74	—
— currency swaps		**2**	**2**	6	—
Financial assets at fair value through profit or loss		**—**	**—**	5	—
		393	**2**	85	—

At the balance sheet date, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps to hedge the fair value interest rate risk of the Group's fixed interest rate borrowings and currency swaps (to hedge principal repayment of USD debt) analyzed as follows:

	Notional Principal amount	
	2009	2008
Fixed-to-floating interest rate swaps maturing		
Within one year	**250**	400
After one year, but within five years	**521**	400
After five years	**2,925**	1,800
	3,696	2,600
Currency swaps maturing		
Within one year	**233**	—
After one year, but within five years	**450**	374
	683	374

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at HIBOR plus a weighted average margin of 0.39% (2008: 0.31%) per annum. The swaps are measured at fair value and the increase in fair value during the year in the amount of HK$311 million (2008: HK$112 million) along with the corresponding increase in fair value of the hedged borrowings attributable to the hedged risk of the same amount has been recognized in profit and loss.

(Expressed in millions of Hong Kong dollars)

21 AMOUNT DUE FROM A SUBSIDIARY

The Company

Amount due from a subsidiary is interest free and repayable on demand.

22 OTHER FINANCIAL ASSETS

The Group

	2009	2008
Financial assets at fair value through profit or loss		
Listed equity securities, Hong Kong	**505**	638
Listed equity securities, overseas	**97**	40
	602	678
Available-for-sale debt securities maturing within one year, at market value		
Listed debt securities, overseas	**—**	39
	602	717

23 BANK BALANCES AND DEPOSITS

The Group

	2009	2008
Bank deposits	**6,302**	5,623
Bank balances and cash	**1,841**	1,173
	8,143	6,796

Deposits with banks in the consolidated balance sheet are interest bearing at prevailing market rates. About 53% (2008: 55%) of the Group's bank balances and deposits were denominated in Hong Kong dollars, 34% (2008: 27%) in United States dollars, 11% (2008: 14%) in Renminbi and 2% (2008: 4%) in other currencies.

24 BANK AND OTHER BORROWINGS

		2009		2008	
	Note	**The Group**	**The Company**	The Group	The Company
Unsecured bank overdrafts		**105**	**23**	79	13
Long-term bank and other borrowings due within one year	26	**2,539**	**—**	1,972	—
		2,644	**23**	2,051	13

(Expressed in millions of Hong Kong dollars)

25 TRADE AND OTHER PAYABLES

	Notes	2009 The Group	2009 The Company	2008 The Group	2008 The Company
Creditors and accrued expenses		**12,757**	**20**	11,524	20
Amounts due to customers for contract works	20a	**8**	**—**	32	—
Amounts due to minority shareholders		**1,833**	**—**	1,547	—
Derivative financial instruments	20b	**2**	**—**	—	—
		14,600	**20**	13,103	20

Included in trade and other payables of the Group are trade creditors of HK$1,270 million (2008: HK$1,183 million), of which 63% (2008: 60%) are aged less than 60 days, 3% (2008: 3%) between 61 to 90 days and 34% (2008: 37%) more than 90 days.

26 BANK AND OTHER BORROWINGS

	2009 The Group	2009 The Company	2008 The Group	2008 The Company
Unsecured bank overdrafts	**105**	**23**	79	13
Long-term bank and other loans	**41,920**	**—**	40,224	—
	42,025	**23**	40,303	13

The maturity of the Group's long-term bank and other loans are as follows:

	Note	2009	2008
Secured bank loans repayable			
Within one year		**220**	275
After one year, but within two years		**646**	275
After two years, but within five years		**1,605**	1,512
After five years		**724**	1,083
		3,195	3,145
Unsecured bank loans repayable			
Within one year		**381**	1,292
After one year, but within two years		**10,045**	3,232
After two years, but within five years		**16,304**	24,011
		26,730	28,535
Other unsecured loans repayable			
Within one year		**1,938**	405
After one year, but within two years		**—**	2,041
After two years, but within five years		**4,533**	1,903
After five years		**5,524**	4,195
		11,995	8,544
		41,920	40,224
Less: Amount due within one year included under current liabilities	24	**(2,539)**	(1,972)
		39,381	38,252

(Expressed in millions of Hong Kong dollars)

26 BANK AND OTHER BORROWINGS (cont'd)

The fair values of the long-term borrowings as estimated by discounting their future cash flows at the prevailing market borrowing rates at the balance sheet date for similar borrowings are as follows:

	Carrying amount		Fair value	
	2009	2008	**2009**	2008
Secured bank loans	**2,975**	2,870	**2,975**	2,870
Unsecured bank loans	**26,349**	27,242	**26,349**	27,242
Other unsecured loans	**10,057**	8,140	**10,194**	8,285
	39,381	38,252	**39,518**	38,397

(a) As at 30 June 2009, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK$3,696 million (2008: HK$2,600 million) to hedge the fair value interest rate risk of certain fixed interest rate borrowings (see note 20b). These borrowings and the related hedging derivatives are reported at fair value through profit and loss.

(b) Secured bank loans related to bank borrowings of the Group's subsidiaries which are secured by way of legal charges over certain of its assets and business undertakings.

(c) The above bank loans and other loans are repayable on various dates up to June 2019 (2008: March 2017) and carry interest, after hedging where appropriate, at effective rate per annum of 1.34% (2008: 2.61%) at the balance sheet date.

(d) The carrying amount of the borrowings are denominated in the following currencies:

	2009		2008	
	The Group	**The Company**	The Group	The Company
Hong Kong dollars	**33,297**	**23**	34,184	13
United States dollars	**3,372**	**—**	2,809	—
Singapore dollars	**1,448**	**—**	1,545	—
Renminbi	**3,847**	**—**	1,710	—
Other currency	**61**	**—**	55	—
	42,025	**23**	40,303	13

27 DEFERRED TAXATION

The Group

	2009	2008
Deferred tax assets	**(177)**	(242)
Deferred tax liabilities	**18,896**	19,145
	18,719	18,903

(Expressed in millions of Hong Kong dollars)

27 DEFERRED TAXATION (cont'd)

The components of deferred tax assets and liabilities recognized in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of properties	Provisions	Tax losses	Others	Total
At 1 July 2007	2,034	15,340	27	(701)	(16)	16,684
On acquisition of subsidiaries	52	—	—	—	—	52
Charged/(credited) to profit and loss accounts	214	1,629	(27)	17	1	1,834
Exchange difference	34	304	—	(5)	—	333
At 30 June 2008 and 1 July 2008	2,334	17,273	—	(689)	(15)	18,903
On acquisition of subsidiaries	**10**	**—**	**—**	**—**	**—**	**10**
Charged/(credited) to profit and loss accounts	**214**	**(427)**	**—**	**27**	**2**	**(184)**
Exchange difference	**(1)**	**(9)**	**—**	**—**	**—**	**(10)**
At 30 June 2009	**2,557**	**16,837**	**—**	**(662)**	**(13)**	**18,719**

At the balance sheet date, the Group has unrecognized tax losses and deductible temporary differences of HK$3,426 million (2008: HK$3,346 million), of which HK$11 million (2008: HK$22 million) of the tax losses will expire at various dates up to 2014 (2008: 2012). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

28 OTHER LONG-TERM LIABILITIES

The Group

	2009	2008
Asset retirement obligations	**55**	52
Contractual obligations for telecommunications licences	**652**	657
	707	709

(Expressed in millions of Hong Kong dollars)

29 SHARE CAPITAL

	2009		2008	
	Number of shares in million	**Amount**	Number of shares in million	Amount
Authorized:				
Ordinary shares of $0.50 each				
At beginning and end of year	**2,900**	**1,450**	2,900	1,450
Issued and fully paid:				
Ordinary shares of $0.50 each				
At beginning of year	**2,564**	**1,282**	2,492	1,246
Issue of shares	**—**	**—**	72	36
At end of year	**2,564**	**1,282**	2,564	1,282

On 29 October 2007, 72.5 million ordinary shares in the Company were placed at a price of HK$150.75 per share (the "Placing Price") through a share placement arrangement. Subsequently, the Company issued 72.5 million new ordinary shares for cash at a subscription price of HK$150.23 per share to increase the capital base of the Company. The subscription price is equivalent to the Placing Price less expenses borne by the Company in relation to the placement arrangement. Accordingly, the Company's share capital and share premium account were increased by HK$36 million and HK$10,855 million respectively in 2008. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

30 SHARE OPTION SCHEMES

The Company has a share option scheme which was adopted on 5 December 2002 ("the New Scheme") to replace a former scheme previously adopted on 20 November 1997 ("the Old Scheme"), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of the share option schemes are set out in the Directors' Report on pages 100 to 101.

The Old Scheme

Upon the termination of the Old Scheme, no further options could be offered and no options remained outstanding at 30 June 2009 and 30 June 2008.

The New Scheme

The New Scheme was adopted by the Company in order to comply with the new requirements under Chapter 17 of the Listing Rules. No options have been granted to any person since its adoption.

(Expressed in millions of Hong Kong dollars)

31 SHARE PREMIUM AND RESERVES

The Company

	Share premium	Capital reserve	Retained profits	Total
At 1 July 2007	24,927	5,281	65,592	95,800
Premium arising from issue of shares, net of expenses	10,855	—	—	10,855
Profit for the year	—	—	6,248	6,248
Interim dividend paid	—	—	(2,051)	(2,051)
Final dividend paid	—	—	(4,103)	(4,103)
At 30 June 2008 and 1 July 2008	35,782	5,281	65,686	106,749
Profit for the year	**—**	**—**	**6,648**	**6,648**
Interim dividend paid	**—**	**—**	**(2,051)**	**(2,051)**
Final dividend paid	**—**	**—**	**(4,359)**	**(4,359)**
At 30 June 2009	**35,782**	**5,281**	**65,924**	**106,987**

32 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	2009	2008
Operating profit before change in fair value of investment properties	**13,896**	10,728
Depreciation and amortization	**1,273**	1,126
Impairment of goodwill	**34**	31
(Profit)/loss on disposal of investment properties	**(28)**	39
Loss on disposal of other fixed assets	**2**	14
Dividend income from investments	**(215)**	(208)
Interest income	**(110)**	(84)
Exchange difference	**37**	(2)
Operating profit before changes in working capital	**14,889**	11,644
Decrease/(increase) in properties for sale	**1,721**	(724)
Additions to properties pending development for sale	**(3,045)**	(9,969)
(Increase)/decrease in debtors, prepayments and others	**(6,064)**	1,700
Decrease in financial assets at fair value through profit or loss	**184**	64
Increase/(decrease) in trade and other payables	**1,162**	(2,065)
Increase in deposits received on sales of properties	**2,585**	263
Cash generated from operations	**11,432**	913

(Expressed in millions of Hong Kong dollars)

32 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Purchase of subsidiaries and assets

In December 2008, the Group acquired an additional 51% interest in Kamford Hong Kong Ltd (formerly known as VINCI Park Wilson Parking Company Limited) raising its total interest to 100%, which holds an investment property in Hong Kong.

In June 2009, the Group acquired 100% interest in Park Island Transport Company Limited which provides non-franchised bus and ferry services in Hong Kong.

The acquired subsidiaries contributed revenues of HK$16 million and underlying profits attributable to the Company's shareholders of HK$8 million from their respective dates of acquisition to 30 June 2009. If these acquisitions had occurred on 1 July 2008, total Group revenues and profit attributable to the Company's shareholders would not be significantly different from that reported in consolidated profit and loss account.

The cash flow and net assets acquired are as follows:

	2009 Book Value	**2009 Fair Value**	2008 Fair Value
Net assets acquired:			
Investment properties	**292**	**292**	2,658
Fixed assets	**109**	**109**	6
Properties for sales	**—**	**—**	3,885
Debtors, prepayments and others	**19**	**19**	198
Bank balances and cash	**7**	**7**	36
Trade and other payables	**(17)**	**(17)**	(254)
Taxation	**(1)**	**(1)**	(5)
Deferred tax liabilities	**(10)**	**(10)**	(52)
Minority interests	**—**	**—**	(1,329)
	399	**399**	5,143
Less:			
Interests in jointly controlled entities		**(115)**	—
Goodwill on acquisition		**—**	35
		284	5,178
Satisfied by:			
Cash paid		**280**	4,520
Deferred consideration		**4**	658
		284	5,178

	2009	2008
Analysis of net cash outflow in respect of the purchase of subsidiaries:		
Cash consideration paid	**280**	4,520
Bank balances and cash acquired	**(7)**	(36)
	273	4,484

(Expressed in millions of Hong Kong dollars)

32 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(c) Analysis of the balance of cash and cash equivalents at end of year

	2009	2008
Bank deposits	**6,302**	5,623
Bank balances and cash	**1,841**	1,173
Bank overdrafts	**(105)**	(79)
	8,038	6,717
Less: Pledged bank deposits	**(389)**	(333)
	7,649	6,384

33 JOINTLY CONTROLLED ASSETS

The Group

At the balance sheet date, the aggregate amounts of assets and liabilities recognized in the financial statements relating to the Group's interests in jointly controlled assets are as follows:

	2009	2008
Investment properties	**8,596**	8,802
Properties under development	**1**	2
Properties under development for sale	**148**	294
Stocks of completed properties for sale	**143**	143
	8,888	9,241
Trade and other payables	**193**	188
Taxation	**38**	16
Deferred taxation	**786**	880
	1,017	1,084

34 RELATED PARTY TRANSACTIONS

During the year, the Group undertook various transactions with related parties. The following is a summary of significant transactions between the Group and related parties, which were carried out at similar terms to other customers or suppliers and at market prices:

	Associates		**Jointly controlled entities**	
	2009	2008	**2009**	2008
Interest income	**1**	8	**49**	63
Rental income	**6**	7	**1**	1
Rental expenses	**—**	—	**29**	27
Other revenue from services rendered	**129**	347	**246**	38
Purchase of goods and services	**—**	—	**400**	264

The outstanding balances with associates and jointly controlled entities at the balance sheet date were disclosed in notes 14 and 15.

(Expressed in millions of Hong Kong dollars)

35 CONTINGENT LIABILITIES AND COMMITMENTS

The Group

At the balance sheet date, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

		2009	2008
(a)	Capital commitments in respect of fixed assets		
	Contracted but not provided for	**10,529**	12,919
	Authorized but not contracted for	**544**	426
(b)	Capital commitments in respect of investments		
	Contracted but not provided for	**2**	45
(c)	The Group's share of capital commitments of jointly controlled entities		
	Contracted but not provided for	**772**	2,015
	Authorized but not contracted for	**1**	46

(d) Guarantees given to banks and financial institutions for the borrowings of an associate and jointly controlled entities of HK$2,833 million (2008: HK$2,425 million) and other guarantees of HK$2 million (2008: HK$2 million).

The Company

At the balance sheet date, the Company had contingent liabilities, not included in the Company's financial statements, in respect of guarantees for bank and other borrowings drawn by:

	2009	2008
Subsidiaries	**38,724**	37,071
Associates	**363**	—
Jointly controlled entities	**2,470**	2,425
	41,557	39,496

36 OPERATING LEASE

At the balance sheet date, the future aggregate minimum lease income receivable by the Group under non-cancellable operating leases for land and buildings is analysed as follows:

	2009	2008
Not later than one year	**6,811**	6,354
Later than one year but not later than five years	**7,787**	7,000
Later than five years	**3,386**	1,454
	17,984	14,808

At the balance sheet date, the future aggregate minimum lease charges payable by the Group under non-cancellable operating leases is analysed as follows:

	2009	2008
Not later than one year	**325**	341
Later than one year but not later than five years	**171**	246
Later than five years	**15**	21
	511	608

37 CHARGES OF ASSETS

At the balance sheet date, certain bank deposits of the Group's subsidiary, SmarTone Telecommunications Holdings Limited, in the aggregate amount of HK$389 million (2008: HK$333 million) have been pledged for securing performance bonds related to 3G licence and some other guarantees issued by the banks.

At the balance sheet date, certain assets of the Group's subsidiaries with an aggregate net book amount of approximately HK$7,436 million (including bank balances of HK$8 million) (2008: HK$5,439 million (including bank balances of HK$12 million)) have been charged to secure its bank borrowings.

38 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

39 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS

The estimates and judgements used in preparing the financial statements are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Fair value of investment properties

Investment properties are stated in the balance sheet at their open market value assessed by an independent qualified professional valuer. Valuation is determined by reference to comparable market transactions and where appropriate on the basis of capitalization of the net income derived from existing tenancies with due allowance for reversionary income potential based on market conditions existing at the balance sheet date.

(b) Impairment of assets

Assets including goodwill and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. Estimating the value in use of an asset involves estimating the future cash flows expected to arise from its continuing use and from its disposal at the end of its useful life and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

(c) Income taxes

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) Recognition of deferred tax assets

The amount of the deferred tax assets included in the balance sheet of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgements, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when these will be realized.

(e) Assessment of useful economic lives

Fixed assets and intangibles (other than goodwill) are depreciated or amortized over their useful economic lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value.

40 FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include investments, amounts due from associates and jointly controlled entities, loans receivables, trade debtors, bank balances and deposits, trade creditors, bank and other borrowings and other long-term liabilities. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments are managed by the Group's financial management policies and practices described below:

(a) Foreign currency risk

Foreign currency exposure does not pose a significant risk for the Group as most of the Group's assets, operational cash flows and borrowings are denominated in Hong Kong dollars. The Group aims to minimize its currency risk using forward contracts where feasible and cost effective. The Group's primary foreign currency exposures arise mainly from the property development and investment activities in Mainland China and Singapore, whose net assets are exposed to foreign currency translation risk. Where appropriate, the Group seeks to finance these investments through borrowings denominated in the relevant foreign currencies. Exchange differences arising from the translation of the net investment in these Mainland China and Singapore subsidiaries, associates and jointly controlled entities have been dealt with as an equity movement.

The Group is also exposed to foreign currency risk in respect of its foreign currency borrowings, mainly denominated in United States dollars. Where appropriate, the Group may enter into currency swaps to hedge the currency risks associated with its borrowings. Foreign currency exposure of the Group's other monetary assets/liabilities is minimal.

At 30 June 2009, it is estimated that a 10% increase/decrease in exchange rate of Hong Kong dollars against all other currencies, with all other variables held constant, would increase/decrease the profit before taxation for the year by approximately HK$69 million (2008: HK$113 million). The equity would be decreased/increased by HK$97 million (2008: HK$84 million).

(b) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly, at times of interest rate uncertainty, through the use of interest rate swaps.

The Group's interest rate risks arise principally from borrowings. Borrowings raised at floating rates expose the Group to cash flow interest rate risk. Interest rate risk is managed by the Group's senior management through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to the Group's businesses and investments.

The Group's borrowings are principally arranged on a floating rate basis. When appropriate, interest rate swaps are used to hedge and manage its long-term interest rate exposure. Speculative derivative transactions are strictly prohibited.

As at 30 June 2009, it is estimated that an increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the profit before taxation for the year by approximately HK$265 million (2008: HK$256 million). The equity would be decreased/increased by approximately HK$34 million and HK$36 million, respectively (2008: HK$48 million and HK$49 million, respectively).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for financial year 2008.

40 FINANCIAL RISK MANAGEMENT (cont'd)

(c) Price risk

The Group is exposed to price risk through the Group's certain available-for-sale investments and other financial assets that are measured at fair value at each balance sheet date with reference to the quoted market prices. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

As at 30 June 2009, it is estimated that an increase/decrease of 10% in equity prices, with all other variables held constant, would increase/decrease the profit before taxation for the year and total equity by approximately HK$51 million and HK$219 million, respectively (2008: HK$63 million and HK$392 million, respectively).

(d) Credit risk

The Group's credit risk is primarily attributable to trade debtors, derivative financial instruments and deposits with banks and financial institutions and held-to-maturity debt securities.

The Group's trade debtors mainly arise from sale of properties developed by the Group and rent receivables from tenants. Occasionally, long term loans are provided to purchasers of the Group's properties and carry interest at rates with reference to banks' lending rates. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment loss is made for irrecoverable amounts.

Counterparty exposure from derivatives is managed, together with that from deposits and bank account balances, with credit limit that reflect published credit ratings and monitored on a regular basis to ensure there is no significant risk to any individual counterparty. Investments in held-to-maturity debt securities are generally limited to issuers of sound credit and rating.

The Group has no significant concentration of credit risk. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment loss. Except for the financial guarantees given by the Company as set out in note 35, the Group does not provide any other guarantee which would expose the Group to material credit risk.

(Expressed in millions of Hong Kong dollars)

40 FINANCIAL RISK MANAGEMENT (cont'd)

(e) *Liquidity risk*

The Group's financial and treasury activities are centrally managed and contolled at the corporate level. The Group takes liquidity risk into consideration when deciding its sources of finances and their respective tenors. The Group aims to diversify its funding sources and minimize its refinancing risk by preventing substantial refinancing in any one period. The Group also maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

As at 30 June 2009	Note	**Carrying amount**	**Total contractual undiscounted cash flow**	**Up to 1 year**	**> 1 year to 2 years**	**> 2 years to 5 years**	**> 5 years**
Creditors and accrued expenses	25	**12,757**	**12,760**	**8,047**	**1,211**	**3,377**	**125**
Amounts due to minority shareholders	25	**1,833**	**1,833**	**1,269**	**—**	**564**	**—**
Bank and other borrowings	24 & 26	**42,025**	**44,888**	**3,284**	**11,272**	**23,629**	**6,703**
Other long-term liabilities	28	**707**	**1,143**	**—**	**96**	**405**	**642**
Derivative financial instruments	20b	**2**	**4**	**2**	**(2)**	**—**	**4**
		57,324	**60,628**	**12,602**	**12,577**	**27,975**	**7,474**

As at 30 June 2008	Note	Carrying amount	Total contractual undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	25	11,524	11,527	7,315	1,399	2,717	96
Amounts due to minority shareholders	25	1,547	1,547	983	—	564	—
Bank and other borrowings	24 & 26	40,303	45,031	3,155	6,557	29,302	6,017
Other long-term liabilities	28	709	1,230	—	86	352	792
		54,083	59,335	11,453	8,042	32,935	6,905

(f) *Fair values*

Listed investments are stated at quoted market prices. Unlisted equity investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair values of trade receivables, bank balances, trade payables, accruals and short-term borrowings approximate to their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of currency swap contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying amounts of mortgage loan receivables, which carry variable interest rates and reprice with reference to market changes, approximate their fair values.

The carrying amounts of other financial assets and liabilities in the financial statements are not materially different from their fair values.

(Expressed in millions of Hong Kong dollars)

41 CAPITAL MANAGEMENT

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business and to continue to provide returns for shareholders while maintaining a prudent level of financial leverage.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net debt-to-shareholders' funds ratio. For this purpose the Group defines net debt as total borrowings less bank balances and deposits. Shareholders' funds comprise share capital, share premium and reserves attributable to the Company's shareholders as shown in the consolidated balance sheet. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt-to-shareholders' funds ratios at the year end were as follows:

	2009	2008
Secured bank loans	**3,195**	3,145
Unsecured bank and other loans	**38,830**	37,158
Total borrowings	**42,025**	40,303
Less: Bank balance and deposits	**(8,143)**	(6,796)
Net debt	**33,882**	33,507
Shareholders' funds	**222,268**	219,250
Net debt-to-shareholders funds ratio	**15.2%**	15.3%

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 130 to 182 were approved by the board of directors on 15 September 2009.