Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1. BASIS OF PREPARATION AND 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.

b. *Changes in accounting policies*

In the current year, the Group has applied, for the first time, the following new and revised standards, 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 2010.

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 32 (Amendment)	Classification of right issues
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 1 (Amendment)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments
HK INT 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause

[1] *Amendments that are effective for annual periods beginning on or after 1 January 2010*

[2] *Amendments that are effective for annual periods beginning on or after 1 July 2010*

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

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

b. *Changes in accounting policies (cont'd)*

Up to the date of approval for the issuance of the consolidated financial statements, the HKICPA has issued a number of new and revised standards, amendments and interpretations which are not yet effective for the year. These include the following which may be relevant to the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets[5]
HKAS 19 (as revised in 2011)	Employee benefits[6]
HKAS 24 (Revised)	Related party disclosures[7]
HKAS 27 (as revised in 2011)	Separate financial statements[6]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[6]
HKFRS 7 (Amendment)	Disclosures – transfers of financial assets[8]
HKFRS 9	Financial instruments[6]
HKFRS 10	Consolidated financial statements[6]
HKFRS 11	Joint arrangements[6]
HKFRS 12	Disclosure of interests in other entities[6]
HKFRS 13	Fair value measurement[6]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[7]

[3] *Amendments that are effective for annual periods beginning on or after 1 January 2011*
[4] *Effective for annual periods beginning on or after 1 July 2012*
[5] *Effective for annual periods beginning on or after 1 January 2012*
[6] *Effective for annual periods beginning on or after 1 January 2013*
[7] *Effective for annual periods beginning on or after 1 January 2011*
[8] *Effective for annual periods beginning on or after 1 July 2011*

The Group decided to early adopt the amendments to HKAS 12, Deferred tax: recovery of underlying assets ("HKAS 12 (amendments)"), in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The Group is currently reviewing the other new and revised standards, amendments and interpretations and does not anticipate the adoption will have any significant impact on the Group's results and financial position.

c. *Early adoption of HKAS 12 (amendments)*

The change in policy arising from HKAS 12 (amendments) is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of the Group's investment properties with reference to the tax liability that would arise if the carrying amount of the investment properties at the reporting date were recovered through sale, unless the 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. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the assets value through use.

(Expressed in millions of Hong Kong dollars)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

c. *Early adoption of HKAS 12 (amendments) (cont'd)*

As a result of the early adoption of amendments to HKAS 12, the comparative figures for 2010 and 2009 have been restated to reflect the change in accounting policy, as summarized below.

Effect on Consolidated Statement of Financial Position

	30 June 2011	30 June 2010	1 July 2009
Increase in associates	**17**	11	7
Increase in jointly controlled entities	**4,107**	3,334	2,926
Decrease in deferred taxation	**18,018**	14,816	13,212
Increase in retained profits	**22,048**	18,130	16,134
Increase/(decrease) in exchange reserves	**69**	13	(3)
Increase in non-controlling interests	**25**	18	14

Effect on Consolidated Income Statement

	Year ended 30 June	
	2011	2010
Increase in share of results of associates	**6**	4
Increase in share of results of jointly controlled entities	**717**	392
Decrease in taxation	**3,202**	1,604
Increase in profit attributable to the Company's shareholders	**3,918**	1,996
Increase in profit attributable to the non-controlling interests	**7**	4
Increase in total comprehensive income attributable to the Company's shareholders	**3,974**	2,012
Increase in basic and diluted earnings per share	**HK$1.52**	HK$0.78

d. *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(h) and note 1(i) 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 income statement from the effective dates of acquisition and 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.

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary 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 subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Non-controlling interests in the net assets or liabilities consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

e. *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, telecommunications, transportation, infrastructure and logistics and revenue derived from other business activities including property management, construction, financial services, internet infrastructure, enabling services and department store. It does not include the revenue of associates and jointly controlled entities.

f. *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.

(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 on initial recognition.

(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.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

f. *Revenue recognition (cont'd)*

(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.

g. *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 Company's financial statements at cost less impairment loss.

h. *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 income statement to the extent of the Group's share of post-acquisition profits less losses.

Interests in associates are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post acquisition changes in the Group's share of their results and other comprehensive income less any identified impairment loss.

i. *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 income statement to the extent of the Group's share of post-acquisition profits less losses whereas accounted for in the Company's income statement only to the extent of dividend income.

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

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

i. *Joint ventures (cont'd)*

(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 recognized in the financial statements its share of jointly controlled assets and any liabilities incurred jointly with other venturers 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 income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

j. *Intangible assets*

(i) Telecommunication licences

A unified 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 issuance and renewal of the relevant mobile licences, the cost thereof, which is the discounted value of the minimum annual fees payable over the licence period as specified in the respective licencing agreement 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.

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 are charged to the consolidated income statement 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 income statement 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 income statement.

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.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

j. Intangible assets (cont'd)

(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.

k. 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 year end date subsequent to initial recognition, these investments are measured at fair value. Changes in fair value are recognized in profit or loss.

(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.

(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 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 year end 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 other comprehensive income, 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 immediately recognized in profit or loss. Impairment loss recognized on available-for-sale investments will not reverse through income statement in subsequent periods.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

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

(iv) Available-for-sale investments (cont'd)

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 year end 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.

l. *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 derivative contracts are 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. For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

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.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

m. *Properties*

(i) Investment properties

Investment properties are properties held for long term rental income or capital appreciation or both. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are carried at fair value based on valuation performed by an independent professional valuer on a market value basis related to individual properties, and separate values are not attributed to land and buildings. Changes in fair values are recognized in income statement in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in income statement in the period in which the asset is derecognized.

(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 income statement.

(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 year end 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 income statement.

n. *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 the shorter of the term of the lease and 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.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

n. *Depreciation (cont'd)*

(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 shorter of the term of the lease and their estimated useful lives.

(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.

o. *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 for the portion that is attributable to the hedged risk when accounting for fair value hedges set out in note 1(l) 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.

p. *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.

q. *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 year end date. Exchange differences arising in these cases are dealt with in the income statement.

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 year end date whereas the income statement are translated at average exchange rates for the year. Exchange differences arising on translation are recognized in other comprehensive income.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

r. *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 financial statements 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.

s. *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.

t. *Segment reporting*

Reportable and operating segments are presented in a manner consistent with the Group's internal financial reporting. This is the measure reported to the Group's management for the purpose of resources allocation and assessment of segment performance.

u. *Retirement benefits*

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

v. *Share-based payments*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted at the grant date and expensed on a straight line basis over the relevant vesting periods with a corresponding increase in capital reserves within equity. At each year end date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in income statement with a corresponding adjustment to capital reserves.

At the time when the share options are exercised, the amount previously recognized in capital reserves will be transferred to share premium. When the share options are forfeited, lapsed or cancelled, the amount previously recognized in capital reserves will be transferred to retained profits.

2. SEGMENT INFORMATION

Segment profit represents the profit earned by each segment without allocation of investment income, central administration costs, other income, net finance costs and change in fair value of investment properties. This is the measure reported to the Group's management for the purpose of resource allocation and assessment of segment performance.

(a) Segment revenue and results

An analysis of the revenue and results for the year of the Group and its share of associates and jointly controlled entities by reportable and operating segments is as follows:

For the year ended 30 June 2011

	The Company and its subsidiaries		Associates and jointly controlled entities			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	32,245	10,756	5,752	2,882	37,997	13,638
Mainland China	3,985	888	524	100	4,509	988
Singapore	–	–	3,972	2,021	3,972	2,021
	36,230	11,644	10,248	5,003	46,478	16,647
Property rental						
Hong Kong	8,824	6,680	1,988	1,599	10,812	8,279
Mainland China	1,054	725	104	72	1,158	797
Singapore	–	–	639	435	639	435
	9,878	7,405	2,731	2,106	12,609	9,511
Hotel operation	2,055	362	539	191	2,594	553
Telecommunications	6,631	967	–	–	6,631	967
Transportation, infrastructure and logistics	3,194	830	2,532	115	5,726	945
Other businesses	4,565	868	214	38	4,779	906
	62,553	22,076	16,264	7,453	78,817	29,529
Other income		574		–		574
Unallocated administrative expenses		(1,284)		–		(1,284)
Operating profit before change in fair value of investment properties		21,366		7,453		28,819
Increase in fair value of investment properties		25,070		4,795		29,865
Operating profit after change in fair value of investment properties		46,436		12,248		58,684
Net finance costs		(1,033)		(166)		(1,199)
Profit before taxation		45,403		12,082		57,485
Taxation						
– Group		(7,359)		–		(7,359)
– Associates		–		(28)		(28)
– Jointly controlled entities		–		(1,310)		(1,310)
Profit for the year		38,044		10,744		48,788

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION (cont'd)

(a) Segment revenue and results (cont'd)

For the year ended 30 June 2010 (Restated)

	The Company and its subsidiaries		Associates and jointly controlled entities			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	12,481	5,447	911	491	13,392	5,938
Mainland China	110	38	1,525	640	1,635	678
	12,591	5,485	2,436	1,131	15,027	6,616
Property rental						
Hong Kong	8,057	6,061	1,809	1,471	9,866	7,532
Mainland China	726	498	–	–	726	498
Singapore	–	–	490	284	490	284
	8,783	6,559	2,299	1,755	11,082	8,314
Hotel operation	1,409	238	496	135	1,905	373
Telecommunications	3,957	327	–	–	3,957	327
Transportation, infrastructure and logistics	2,862	693	2,598	132	5,460	825
Other businesses	3,609	782	245	51	3,854	833
	33,211	14,084	8,074	3,204	41,285	17,288
Other income		663		–		663
Unallocated administrative expenses		(905)		–		(905)
Operating profit before change in fair value of investment properties		13,842		3,204		17,046
Increase in fair value of investment properties		16,469		3,360		19,829
Operating profit after change in fair value of investment properties		30,311		6,564		36,875
Net finance costs		(639)		(221)		(860)
Profit before taxation		29,672		6,343		36,015
Taxation						
– Group		(4,292)		–		(4,292)
– Associates		–		(29)		(29)
– Jointly controlled entities		–		(1,053)		(1,053)
Profit for the year		25,380		5,261		30,641

Other businesses comprise revenue and profit derived from other activities including property management, construction, mortgage and other loan financing, internet infrastructure, enabling services and department store.

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

2. SEGMENT INFORMATION (cont'd)

(b) *Segment assets and liabilities*

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

	The Company and its subsidiaries	Associates and jointly controlled entities	Total assets	Total liabilities
At 30 June 2011				
Property development				
Hong Kong	**96,446**	**1,901**	**98,347**	**(9,225)**
Mainland China	**19,593**	**4,984**	**24,577**	**(3,011)**
Singapore	**–**	**950**	**950**	**–**
	116,039	**7,835**	**123,874**	**(12,236)**
Property investment				
Hong Kong	**168,616**	**24,266**	**192,882**	**(2,607)**
Mainland China	**46,459**	**3,189**	**49,648**	**(1,323)**
Singapore	**–**	**3,195**	**3,195**	**–**
	215,075	**30,650**	**245,725**	**(3,930)**
Hotel operation	**10,760**	**1,212**	**11,972**	**(304)**
Telecommunications	**5,557**	**–**	**5,557**	**(3,578)**
Transportation, infrastructure and logistics	**5,385**	**2,091**	**7,476**	**(999)**
Other businesses	**3,037**	**147**	**3,184**	**(2,235)**
	355,853	**41,935**	**397,788**	**(23,282)**
Bank balances and deposits			**7,898**	**–**
Other financial assets			**4,488**	**–**
Bank and other borrowings			**–**	**(60,435)**
Unallocated corporate assets/(liabilities)			**3,023**	**(1,534)**
Taxation			**–**	**(5,141)**
Deferred taxation			**–**	**(10,610)**
Total assets/(liabilities)			**413,197**	**(101,002)**
At 30 June 2010 (Restated)				
Property development				
Hong Kong	76,911	3,100	80,011	(13,297)
Mainland China	18,680	2,804	21,484	(5,397)
Singapore	–	388	388	–
	95,591	6,292	101,883	(18,694)
Property investment				
Hong Kong	152,725	20,403	173,128	(2,140)
Mainland China	33,564	1,588	35,152	(1,335)
Singapore	–	3,727	3,727	–
	186,289	25,718	212,007	(3,475)
Hotel operation	10,119	1,249	11,368	(144)
Telecommunications	3,367	–	3,367	(1,996)
Transportation, infrastructure and logistics	5,605	2,429	8,034	(971)
Other businesses	2,626	138	2,764	(2,000)
	303,597	35,826	339,423	(27,280)
Bank balances and deposits			8,204	–
Other financial assets			4,404	–
Bank and other borrowings			–	(45,388)
Unallocated corporate assets/(liabilities)			2,915	(1,798)
Taxation			–	(5,266)
Deferred taxation			–	(7,189)
Total assets/(liabilities)			354,946	(86,921)

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION (cont'd)

(c) Other segment information

The Group's depreciation and amortization and additions to segment assets by reportable and operating segments are analysed as follows:

	Depreciation and amortization charged to consolidated income statement		Additions to segment assets	
	2011	2010	**2011**	2010
Property development for sale	**10**	9	**22,869**	13,567
Property investment for rental	**–**	–	**6,379**	6,110
Hotel operation	**257**	156	**1,246**	2,153
Telecommunications	**536**	560	**688**	569
Transportation, infrastructure and logistics	**360**	359	**82**	22
Other businesses	**193**	167	**222**	87
Unallocated corporate assets	**27**	27	**16**	8
	1,383	1,278	**31,502**	22,516

(d) Geographical information

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

	2011	2010
Hong Kong	**56,959**	32,064
Mainland China	**5,312**	926
Others	**282**	221
	62,553	33,211

An analysis of the Group's non-current assets by geographical location is as follows:

	2011			(Restated) 2010		
	The Company and its subsidiaries	**Associates and jointly controlled entities**	**Consolidated**	The Company and its subsidiaries	Associates and jointly controlled entities	Consolidated
Hong Kong	**188,138**	**29,617**	**217,755**	170,884	27,319	198,203
Mainland China	**47,496**	**8,173**	**55,669**	34,177	4,392	38,569
Singapore	**–**	**4,145**	**4,145**	–	4,115	4,115
Others	**174**	**–**	**174**	122	–	122
	235,808	**41,935**	**277,743**	205,183	35,826	241,009
Loan receivables			**275**			346
Other financial assets			**3,362**			3,554
Total non-current assets			**281,380**			244,909

3. NET FINANCE COSTS

	2011	2010
Interest expenses on		
Bank loans and overdrafts	**811**	489
Other loans wholly repayable within five years	**117**	53
Other loans not wholly repayable within five years	**302**	275
	1,230	817
Notional non-cash interest accretion	**97**	86
Less: Amount capitalized	**(232)**	(233)
	1,095	670
Interest income on bank deposits	**(62)**	(31)
	1,033	639

Finance costs have been capitalized for properties under development at rates ranging from 1.31% to 7.04% per annum (2010: 0.67% to 7.56%).

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 statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.

4. PROFIT BEFORE TAXATION

	2011	2010
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**23,147**	6,616
Cost of other inventories sold	**1,905**	495
Depreciation and amortization of hotel properties	**198**	138
Depreciation of other properties, plant and equipment	**850**	814
Amortization of intangible assets (included in cost of sales)	**335**	326
Operating lease rentals for land and buildings, transmission sites and leased lines	**969**	934
Staff costs (including directors' emoluments and retirement schemes contributions)	**4,471**	3,774
Share-based payments	**77**	–
Auditors' remuneration	**15**	14
Loss on disposal of fixed assets	**23**	10
and crediting:		
Dividend income from:		
listed investments	**93**	94
unlisted investments	**6**	4
Interest income from:		
listed debt securities	**86**	102
unlisted debt securities	**7**	6
Profit on disposal of available-for-sale investments	**88**	88
Profit on disposal of financial assets at fair value through profit or loss	**13**	59
Fair value gains on financial assets at fair value through profit or loss	**98**	25

(Expressed in millions of Hong Kong dollars)

5. 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	(Note b) Share-based payments	2011 Total emoluments	2010 Total emoluments
Executive Directors							
Kwok Ping-kwong, Thomas	**0.14**	**1.78**	**0.20**	**0.17**	**1.58**	**3.87**	2.15
Kwok Ping-luen, Raymond	**0.30**	**1.84**	**0.21**	**0.17**	**1.58**	**4.10**	2.31
Chan Kai-ming	**0.10**	**2.91**	**0.33**	**0.27**	**1.58**	**5.19**	3.37
Chan Kui-yuen, Thomas	**0.13**	**4.23**	**6.46**	**0.39**	**1.58**	**12.79**	10.57
Kwong Chun	**0.10**	**2.29**	**1.92**	**–**	**1.58**	**5.89**	4.40
Wong Chik-wing, Mike	**0.10**	**9.72**	**5.84**	**0.69**	**1.58**	**17.93**	15.23
Chan Kwok-wai, Patrick	**0.10**	**5.53**	**8.91**	**0.26**	**–**	**14.80**	8.92
Non-Executive Directors							
Kwong Siu-hing	**0.12**	**–**	**–**	**–**	**–**	**0.12**	0.12
Kwok Ping-sheung, Walter	**0.13**	**–**	**–**	**–**	**–**	**0.13**	0.13
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
Wong Yick-kam, Michael (Note a)	**0.30**	**–**	**–**	**–**	**–**	**0.30**	16.35
Independent Non-Executive Directors							
Dicky Peter Yip	**0.35**	**–**	**–**	**–**	**–**	**0.35**	0.35
Wong Yue-chim, Richard	**0.22**	**–**	**–**	**–**	**–**	**0.22**	0.22
Li Ka-cheung, Eric	**0.63**	**–**	**–**	**–**	**–**	**0.63**	0.57
Fung Kwok-lun, William	**0.10**	**–**	**–**	**–**	**–**	**0.10**	0.04
Past Directors							
Cheung Kin-tung, Marvin	**–**	**–**	**–**	**–**	**–**	**–**	0.14
Total 2011	**3.33**	**28.30**	**23.87**	**1.95**	**9.48**	**66.93**	65.38
Total 2010	3.29	30.80	29.40	1.89	–		

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

The above analysis included three (2010: three) individuals whose emoluments were among the five highest pay in the Group. Details of the emoluments paid to the remaining two (2010: two) individuals are:

	2011	2010
Salaries, allowances and benefits in kind	**13.17**	13.84
Discretionary bonuses	**15.69**	5.94
Retirement scheme contributions	**1.99**	1.02
Share-based payments (Note b)	**1.05**	–
	31.90	20.80

Number of employees whose emoluments fell within:

Emoluments Band			**Number of**	Number of
HK$M		HK$M	**employees**	employees
10.0	–	10.5	**–**	1
10.5	–	11.0	**–**	1
13.5	–	14.0	**1**	–
18.0	–	18.5	**1**	–
			2	2

Notes:

(a) *Mr. Wong Yick-kam, Michael ceased to be Executive Director and re-designated as Non-Executive Director on 1 January 2010.*

(b) *Share-based payments are the fair values of share options granted to employees (including directors), which are determined at the date of grant and expensed over the vesting period.*

6. 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 income statement as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK$216 million (2010: HK$190 million). Forfeited contributions for the year of HK$1 million (2010: HK$2 million) were used to reduce the existing level of contributions.

(Expressed in millions of Hong Kong dollars)

7. TAXATION

	2011	(Restated) 2010
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	**2,608**	1,986
Under provision in prior years	**1,115**	6
	3,723	1,992
Tax outside Hong Kong	**503**	668
	4,226	2,660
Deferred taxation charge/(credit)		
Change in fair value of investment properties	**2,682**	2,082
Tax released on disposal of investment properties	**–**	(674)
Other origination and reversal of temporary differences	**451**	224
	3,133	1,632
	7,359	4,292

(a) Hong Kong profits tax is provided at the rate of 16.5% (2010: 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:

	2011	(Restated) 2010
Profit before share of results of associates, jointly controlled entities and taxation	**45,403**	29,672
Tax at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**7,492**	4,896
Effect of change in tax rate and different tax rates of subsidiaries operating outside Hong Kong	**2,057**	991
Net effect of non-deductible expenses and non-taxable income	**(3,285)**	(1,539)
Utilization/recognition of tax losses not previously recognized	**(50)**	(37)
Tax losses and other temporary differences not recognized	**45**	(3)
Under provision in prior years	**1,115**	6
Others	**(15)**	(22)
Tax expenses	**7,359**	4,292

(c) During the year, a settlement agreement was reached with Inland Revenue Department in respect of the tax assessments for certain subsidiaries of the Group for certain prior years and a total sum HK$1,115 million was recognized in the current tax charge by the Group for this settlement.

8. DIVIDENDS

	2011	2010
Dividends recognized as distribution during the year:		
2011 interim dividend of HK$0.95 per share based on 2,570 million shares (2010: HK$0.85 per share based on 2,564 million shares)	2,442	2,180
2010 final dividend of HK$1.85 per share based on 2,570 million shares (2010: 2009 final dividend of HK$1.70 per share based on 2,564 million shares)	4,755	4,359
	7,197	6,539
Proposed final dividend of HK$2.40 per share based on 2,570 million shares (2010: HK$1.85 per share based on 2,570 million shares)	6,168	4,755

9. 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$48,097 million (2010 (restated): HK$30,039 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,570,039,181 (2010: 2,565,240,040). The diluted earnings per share is based on 2,570,556,026 (2010: 2,565,240,040) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 516,845 (2010: Nil) shares deemed to be issued at no consideration if all outstanding options had been exercised.

(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$21,479 million (2010: HK$13,883 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2011	(Restated) 2010
Profit attributable to the Company's shareholders as shown in the consolidated income statement	48,097	30,039
Increase in fair value of investment properties	(25,070)	(16,469)
Effect of corresponding deferred tax charges	2,682	2,082
Realized fair value gains of investment properties disposed net of deferred tax	378	849
Share of results of associates and jointly controlled entities		
– fair value gains of investment properties	(4,795)	(3,360)
– effect of corresponding deferred tax charges	99	475
	(26,706)	(16,423)
Non-controlling interests	88	267
Net effect of changes in the valuation of investment properties	(26,618)	(16,156)
Underlying profit attributable to the Company's shareholders	21,479	13,883

(Expressed in millions of Hong Kong dollars)

10. INVESTMENT PROPERTIES

The Group

(a) Movement during the year

	Completed	Under development	Total
Valuation			
At 1 July 2009	135,297	23,296	158,593
Additions	548	5,562	6,110
Transfer upon completion	12,848	(12,848)	–
Transfer from			
– properties under development	–	6,708	6,708
– properties for sale	–	126	126
– deposits for acquisition of properties	14	–	14
Disposals	(2,897)	–	(2,897)
Transfer to			
– properties for sale	(52)	(1,347)	(1,399)
– other properties	(31)	–	(31)
– other fixed assets	–	(1)	(1)
Exchange difference	127	182	309
Increase in fair value	10,436	6,033	16,469
At 30 June 2010 and 1 July 2010	156,290	27,711	184,001
Additions	**523**	**6,759**	**7,282**
Transfer upon completion	**12,193**	**(12,193)**	**–**
Transfer from			
– properties under development	**130**	**–**	**130**
– properties for sale	**–**	**201**	**201**
– deposits for acquisition of properties	**–**	**26**	**26**
Disposals	**(510)**	**–**	**(510)**
Transfer to			
– properties for sale	**–**	**(4,975)**	**(4,975)**
– other properties	**(6)**	**–**	**(6)**
Exchange difference	**779**	**865**	**1,644**
Increase in fair value	**19,304**	**5,766**	**25,070**
At 30 June 2011	**188,703**	**24,160**	**212,863**

10. INVESTMENT PROPERTIES (cont'd)

(b) Value of properties shown above comprises:

	2011	2010
Properties in Hong Kong held under		
Long lease (not less than 50 years)	**27,007**	24,017
Medium-term lease (less than 50 years but not less than 10 years)	**140,405**	127,625
Properties outside Hong Kong held under		
Long lease (not less than 50 years)	**1,309**	1,120
Medium-term lease (less than 50 years but not less than 10 years)	**44,142**	31,239
	212,863	184,001

(c) Investment properties revaluation

The Group's investment properties were valued at 30 June 2011 and 30 June 2010 by Knight Frank Petty Limited, an independent professional valuer, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors. For the completed investment properties, valuation is arrived at on the basis of capitalization of net income with due allowance for the reversionary income potential and by making reference to comparable market sale and purchase transactions for similar properties. For the investment properties under development, valuation is arrived at by making reference to comparable market sale and purchase transactions and valuing the properties as if they were completed, taking into account construction costs already incurred and future construction costs required for completion of the development.

(d) Profit on disposal of the Group's investment properties during the year amounted to HK$193 million (2010: HK$203 million).

(e) Gross rental income and direct operating expenses from investment properties during the year amounted to HK$9,384 million (2010: HK$8,421 million) and HK$2,339 million (2010: HK$2,087 million) respectively.

(Expressed in millions of Hong Kong dollars)

11. FIXED ASSETS

	Hotel properties	Properties under development	Other properties	Network equipment	Other fixed assets	Total
The Group						
(a) Movement during the year						
Cost						
At 1 July 2009	5,952	10,086	4,846	3,666	3,054	27,604
Additions	49	2,111	28	464	202	2,854
Transfer upon completion	1,598	(1,598)	–	–	–	–
Transfer from						
– investment properties	–	–	31	–	–	31
– investment properties under development	–	–	–	–	1	1
Disposals	(1)	–	–	(192)	(68)	(261)
Transfer to investment properties	–	(6,708)	–	–	–	(6,708)
Exchange difference	–	–	–	–	3	3
At 30 June 2010 and 1 July 2010	7,598	3,891	4,905	3,938	3,192	23,524
Additions	**222**	**805**	**27**	**585**	**636**	**2,275**
Transfer upon completion	**2,339**	**(2,691)**	**260**	**–**	**92**	**–**
Transfer from investment properties	**–**	**–**	**6**	**–**	**–**	**6**
Disposals	**(8)**	**–**	**–**	**(1,044)**	**(141)**	**(1,193)**
Transfer to investment properties	**–**	**(130)**	**–**	**–**	**–**	**(130)**
Exchange difference	**–**	**–**	**–**	**–**	**13**	**13**
At 30 June 2011	**10,151**	**1,875**	**5,198**	**3,479**	**3,792**	**24,495**
Accumulated depreciation						
At 1 July 2009	1,370	–	1,058	1,969	1,595	5,992
Charge for the year	138	–	104	422	288	952
Disposals	–	–	–	(180)	(65)	(245)
At 30 June 2010 and 1 July 2010	1,508	–	1,162	2,211	1,818	6,699
Charge for the year	**198**	**–**	**107**	**383**	**360**	**1,048**
Disposals	**–**	**–**	**–**	**(1,014)**	**(134)**	**(1,148)**
At 30 June 2011	**1,706**	**–**	**1,269**	**1,580**	**2,044**	**6,599**
Net book value at 30 June 2011	**8,445**	**1,875**	**3,929**	**1,899**	**1,748**	**17,896**
Net book value at 30 June 2010	6,090	3,891	3,743	1,727	1,374	16,825

11. FIXED ASSETS (cont'd)

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

	2011	2010
Properties in Hong Kong held under		
Long lease (not less than 50 years)		
Hotel properties	**946**	784
Other properties	**2,296**	2,306
	3,242	3,090
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	**5,756**	3,695
Properties under development	**1,646**	3,730
Other properties	**1,633**	1,437
	9,035	8,862
Properties outside Hong Kong held under		
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	**1,743**	1,611
Properties under development	**229**	161
	1,972	1,772
	14,249	13,724

12. SUBSIDIARIES

The Company

	2011	2010
Unlisted shares, at cost	**30,148**	30,074

Particulars regarding principal subsidiaries are set out in the section headed "Principal Subsidiaries" of the Annual Report 2011.

(Expressed in millions of Hong Kong dollars)

13. ASSOCIATES

The Group

	30 June 2011	(Restated) 30 June 2010	(Restated) 1 July 2009
Unlisted shares, at cost less impairment loss	**36**	36	31
Hong Kong listed shares, at cost	**585**	585	585
Share of post-acquisition reserves	**2,208**	2,235	2,186
	2,829	2,856	2,802
Amounts due from associates	**420**	255	255
	3,249	3,111	3,057
Market value of Hong Kong listed shares	**2,984**	2,945	2,703

Amounts due from associates are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK$165 million (2010: Nil) which are interest bearing at market rates.

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

	30 June 2011	(Restated) 30 June 2010	(Restated) 1 July 2009
Non-current assets	**3,887**	3,757	3,730
Current assets	**1,362**	1,353	1,512
Current liabilities	**(955)**	(675)	(794)
Non-current liabilities	**(1,465)**	(1,579)	(1,646)
Net assets	**2,829**	2,856	2,802
Revenue	**2,369**	2,454	
Fair value change of investment properties net of related deferred tax	**39**	26	
Profit for the year	**171**	232	

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2011.

14. JOINTLY CONTROLLED ENTITIES

The Group

	30 June 2011	(Restated) 30 June 2010	(Restated) 1 July 2009
Unlisted shares, at cost less impairment loss	**2,225**	311	725
Share of post-acquisition reserves	**28,714**	22,305	18,662
	30,939	22,616	19,387
Amounts due from jointly controlled entities	**7,747**	10,099	9,331
	38,686	32,715	28,718

Amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK$556 million (2010: HK$3,188 million) which are interest bearing at market rates.

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

	30 June 2011	(Restated) 30 June 2010	(Restated) 1 July 2009
Non-current assets	**55,364**	48,622	45,818
Current assets	**12,851**	13,131	15,578
Current liabilities	**(18,621)**	(8,250)	(5,848)
Non-current liabilities	**(18,655)**	(30,887)	(36,161)
Net assets	**30,939**	22,616	19,387
Revenue	**13,895**	5,620	
Fair value change of investment properties net of related deferred tax	**4,657**	2,859	
Profit for the year	**10,573**	5,029	

Particulars regarding principal jointly controlled entities are set out in the section headed "Principal Jointly Controlled Entities" of the Annual Report 2011.

(Expressed in millions of Hong Kong dollars)

15. LOAN RECEIVABLES

The Group

	2011	2010
Loan receivables	**290**	371
Less: Amount due within one year included under current assets	**(15)**	(25)
	275	346

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 20 years at the year end date and carry interest at rates with reference to banks' lending rates.

As at 30 June 2011, 3% (2010: 5%) of loan receivables have been overdue but not impaired, of which 100% (2010: 98%) are aged less than three months since the due dates. These relate to a number of independent customers for whom the creditworthiness, collateral and subsequent settlement after reporting date are assessed 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 2011 and 30 June 2010 is not significant.

16. OTHER FINANCIAL ASSETS

The Group

	2011	2010
Held-to-maturity debt securities		
Listed debt securities, overseas	**81**	348
Unlisted debt securities	**–**	80
	81	428
Available-for-sale debt securities		
Listed debt securities, overseas	**640**	891
Listed debt securities, Hong Kong	**21**	52
Unlisted debt securities	**59**	41
	720	984
Available-for-sale equity securities		
Listed equity securities, overseas	**633**	554
Listed equity securities, Hong Kong	**1,447**	1,180
Unlisted equity securities	**481**	408
	2,561	2,142
	3,362	3,554
Market value of listed securities		
Listed overseas	**1,354**	1,798
Listed in Hong Kong	**1,468**	1,232
	2,822	3,030

17. INTANGIBLE ASSETS

The Group

	Concession assets	Goodwill	Telecommunications licences	Total
Cost				
At 1 July 2009	6,930	35	789	7,754
Additions	–	–	36	36
At 30 June 2010 and 1 July 2010	6,930	35	825	7,790
Additions	**–**	**–**	**1,027**	**1,027**
At 30 June 2011	**6,930**	**35**	**1,852**	**8,817**
Accumulated amortization				
At 1 July 2009	2,823	–	284	3,107
Amortization	259	–	67	326
At 30 June 2010 and 1 July 2010	3,082	–	351	3,433
Amortization	**258**	**–**	**77**	**335**
At 30 June 2011	**3,340**	**–**	**428**	**3,768**
Net book value at 30 June 2011	**3,590**	**35**	**1,424**	**5,049**
Net book value at 30 June 2010	3,848	35	474	4,357

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, which have finite useful lives of 27 years, and are amortized on a straight line basis.

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 year end 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, which have finite useful lives ranging from 12 to 15 years, and are amortized on a straight line basis. The corresponding non-current and current portion of these contractual liabilities are recorded in other long-term liabilities and other payables respectively.

18. PROPERTIES FOR SALE

The Group

	2011	2010
Properties pending development for sale	**46,826**	28,890
Properties under development for sale	**41,796**	42,489
Stock of completed properties for sale	**10,239**	13,544
	98,861	84,923

(Expressed in millions of Hong Kong dollars)

19. DEBTORS, PREPAYMENTS AND OTHERS

	Notes	2011 The Group	2011 The Company	2010 The Group	2010 The Company
Debtors, deposits and prepayments		**18,238**	**7**	10,508	7
Deposits for acquisition of properties		**5,012**	**–**	4,882	–
Amounts due from customers for contract works	19a	**67**	**–**	60	–
Short-term loans		**53**	**–**	63	–
Derivative financial instruments	19b	**562**	**–**	547	–
		23,932	**7**	16,060	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$13,713 million (2010: HK$5,228 million), of which 97% (2010: 92%) are aged less than 60 days, 1% (2010: 2%) between 61 to 90 days and 2% (2010: 6%) more than 90 days.

As at 30 June 2011, 8% (2010: 14%) of trade debtors are past due but not impaired, of which 89% (2010: 85%) 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 2011 and 30 June 2010 is not significant.

19a. Amounts due from/(to) customers for contract works

The Group

	Notes	2011	2010
Contract costs incurred plus recognized profits less recognized losses		**242**	1,499
Less: Progress billings		**(196)**	(1,495)
		46	4
Represented by:			
Due from customers included in current assets	19	**67**	60
Due to customers included in current liabilities	24	**(21)**	(56)
		46	4

19. DEBTORS, PREPAYMENTS AND OTHERS (cont'd)

19b. Derivative financial instruments

		2011		2010	
	Notes	**Assets**	**Liabilities**	Assets	Liabilities
Fair value hedges	19 & 24				
– interest rate swaps		**560**	**–**	544	–
– currency swaps		**2**	**2**	3	4
		562	**2**	547	4
Cash flow hedges					
– interest rate swap		**–**	**1**	–	2

At the year end 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) analysed as follows:

	Notional principal amount	
	2011	2010
Fixed-to-floating interest rate swaps maturing		
Within one year	**371**	–
After one year, but within five years	**2,350**	921
After five years	**1,923**	3,123
	4,644	4,044
Currency swaps maturing		
Within one year	**312**	–
After one year, but within five years	**140**	452
	452	452

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at HIBOR plus a weighted average margin of 0.47% (2010: 0.42%) per annum. The swaps are measured at fair value at the year end date and the increase in fair value during the year in the amount of HK$17 million (2010: HK$152 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 income statement.

At the year end date, the Group had outstanding cash flow hedge in respect of floating-to-fixed interest rate swap to hedge the exposure to variability in cash flows of the Group's floating interest rate borrowing analyzed as follows:

	Notional principal amount	
	2011	2010
Floating-to-fixed interest rate swap maturing		
After one year, but within five years	**100**	100

The floating-to-fixed interest rate swap converted the floating rate to fixed rate at 2.66% (2010: 2.66%). The swap is measured at fair value and the increase in fair value during the year are recognized in the cash flow hedging reserve in equity and will be released to the income statement when the hedged forecast transaction affects profit or loss.

(Expressed in millions of Hong Kong dollars)

20. AMOUNT DUE FROM A SUBSIDIARY

The Company

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

21. OTHER FINANCIAL ASSETS

The Group

	2011	2010
Financial assets at fair value through profit or loss		
Listed equity securities, Hong Kong	612	514
Listed equity securities, overseas	32	22
	644	536
Available-for-sale debt securities maturing within one year		
Listed debt securities, overseas	141	–
Held-to-maturity debt securities maturing within one year		
Listed debt securities, overseas (Market value: HK$265 million (2010: HK$319 million))	262	314
Unlisted debt securities, overseas (Market value: HK$81 million (2010: Nil))	79	–
	341	314
	1,126	850

22. BANK BALANCES AND DEPOSITS

The Group

	2011		2010	
	The Group	The Company	The Group	The Company
Bank deposits	5,164	8	6,418	–
Bank balances and cash	2,734	–	1,786	–
	7,898	8	8,204	–

Deposits with banks are interest bearing at prevailing market rates. About 59% (2010: 69%) of the Group's bank balances and deposits are denominated in Hong Kong dollars, 23% (2010: 17%) in United States dollars, 16% (2010: 12%) in Renminbi and 2% (2010: 2%) in other currencies.

23. BANK AND OTHER BORROWINGS

		2011		2010	
	Note	The Group	The Company	The Group	The Company
Unsecured bank overdrafts		76	–	92	3
Long-term bank and other borrowings due within one year	25	9,606	–	11,170	–
		9,682	–	11,262	3

24. TRADE AND OTHER PAYABLES

	Notes	2011 The Group	2011 The Company	2010 The Group	2010 The Company
Creditors and accrued expenses		**17,686**	**20**	16,089	20
Amounts due to customers for contract works	19a	**21**	**–**	56	–
Amounts due to non-controlling interests		**2,742**	**–**	1,516	–
Derivative financial instruments	19b	**3**	**–**	6	–
		20,452	**20**	17,667	20

Included in trade and other payables of the Group are trade creditors of HK$2,179 million (2010: HK$1,489 million), of which 68% (2010: 59%) are aged less than 60 days, 2% (2010: 2%) between 61 to 90 days and 30% (2010: 39%) more than 90 days.

The amounts due to non-controlling interests are interest free, unsecured and have no fixed terms of repayment.

25. BANK AND OTHER BORROWINGS

	2011 The Group	2011 The Company	2010 The Group	2010 The Company
Unsecured bank overdrafts	**76**	**–**	92	3
Long-term bank and other loans	**60,359**	**–**	45,296	–
	60,435	**–**	45,388	3

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

	Note	2011	2010
Secured bank loans repayable			
Within one year		**150**	195
After one year, but within two years		**3,824**	225
After two years, but within five years		**910**	2,646
After five years		**–**	207
		4,884	3,273
Unsecured bank loans repayable			
Within one year		**7,089**	10,975
After one year, but within two years		**16,858**	5,424
After two years, but within five years		**14,316**	13,480
		38,263	29,879
Other unsecured loans repayable			
Within one year		**2,367**	–
After one year, but within two years		**2,652**	2,373
After two years, but within five years		**2,690**	3,276
After five years		**9,503**	6,495
		17,212	12,144
		60,359	45,296
Less: Amount due within one year included under current liabilities	23	**(9,606)**	(11,170)
		50,753	34,126

(Expressed in millions of Hong Kong dollars)

25. 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 year end date for similar borrowings are as follows:

	Carrying amount		Fair value	
	2011	2010	**2011**	2010
Secured bank loans	**4,734**	3,078	**4,734**	3,078
Unsecured bank loans	**31,174**	18,904	**31,174**	18,904
Other unsecured loans	**14,845**	12,144	**15,489**	12,711
	50,753	34,126	**51,397**	34,693

(a) As at 30 June 2011, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK$4,644 million (2010: HK$4,044 million) to hedge the fair value interest rate risk of certain fixed interest rate borrowings (see note 19b). These borrowings and the related hedging derivatives are reported at fair value through income statement.

(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 2026 (2010: September 2019) and carry interest, after hedging where appropriate, at effective rate per annum of 2.32% (2010: 1.98%) at the year end date.

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

	2011		2010	
	The Group	**The Company**	The Group	The Company
Hong Kong dollars	**44,533**	**–**	35,641	3
United States dollars	**5,399**	**–**	3,081	–
Renminbi	**10,430**	**–**	6,598	–
Other currency	**73**	**–**	68	–
	60,435	**–**	45,388	3

26. DEFERRED TAXATION

The Group

The components of the carrying amount of deferred tax balances and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Others	Total
At 1 July 2009					
– as originally stated	2,557	16,837	(662)	(13)	18,719
– change in accounting policy	–	(13,212)	–	–	(13,212)
– as restated	2,557	3,625	(662)	(13)	5,507
Charged to income statement	189	1,408	14	21	1,632
Exchange difference	4	46	–	–	50
At 30 June 2010 and 1 July 2010 (restated)	2,750	5,079	(648)	8	7,189
Charged to income statement	**423**	**2,682**	**17**	**11**	**3,133**
Exchange difference	**20**	**269**	**(1)**	**–**	**288**
At 30 June 2011	**3,193**	**8,030**	**(632)**	**19**	**10,610**

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK$3,050 million (2010: HK$3,732 million), of which none (2010: HK$1 million) of tax losses will expire (2010: December 2010). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

27. OTHER LONG-TERM LIABILITIES

The Group

	2011	2010
Asset retirement and other obligations	**58**	78
Contractual obligations for telecommunications licences	**781**	661
	839	739

(Expressed in millions of Hong Kong dollars)

28. SHARE CAPITAL

	2011		2010	
	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	**2,570**	**1,285**	2,564	1,282
Issue of shares in lieu of cash dividends	**–**	**–**	6	3
At end of year	**2,570**	**1,285**	2,570	1,285

On 4 May 2010, the Company issued and allotted 5,705,819 new fully paid shares of HK$0.50 each in the Company at HK$117.74 to the shareholders who elected to receive shares in the Company in lieu of cash for the interim dividends pursuant to the scrip dividend schemes announced by the Company on 11 March 2010. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

29. 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 share options granted by the Company and the assessment of fair value of the share options granted during the year are set out in the Directors' Report of the Annual Report 2011.

The Old Scheme

Upon the termination of the Old Scheme, no further options could be offered and no options remained outstanding at 30 June 2011 and 30 June 2010.

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. During the year, 4,840,000 share options were granted at HK$1.00 per lot to a number of directors and employees of the Company and its subsidiaries to subscribe for 4,840,000 ordinary shares in the Company.

(i) Movements in share options to subscribe for ordinary shares in the Company under the New Scheme during the year are as follows:

			Number of share options				
Date of grant	**Exercise price**	**Exercisable period**	**At 1 July 2010**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 30 June 2011**
12 July 2010	HK$111.40	12.7.2011 to 11.7.2015	–	**4,840,000**	–	**(136,000)**	**4,704,000**

The was no outstanding or movement in share options during the year ended 30 June 2010.

30. SHARE PREMIUM AND RESERVES

The Company

	Share premium	Capital reserves	Retained profits	Total
At 1 July 2009	35,782	5,281	65,924	106,987
Premium arising from issue of shares, net of expenses	669	–	–	669
Profit for the year	–	–	6,903	6,903
Final dividend paid for the year ended 30 June 2009	–	–	(4,359)	(4,359)
Interim dividend paid for the year	–	–	(2,180)	(2,180)
At 30 June 2010 and 1 July 2010	36,451	5,281	66,288	108,020
Profit for the year	**–**	**–**	**18,431**	**18,431**
Final dividend paid for the year ended 30 June 2010	**–**	**–**	**(4,755)**	**(4,755)**
Interim dividend paid for the year	**–**	**–**	**(2,442)**	**(2,442)**
Recognition of equity-settled share-based payments	**–**	**74**	**–**	**74**
At 30 June 2011	**36,451**	**5,355**	**77,522**	**119,328**

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2011 amounted to HK$77,522 million (2010: HK$66,288 million).

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011	2010
Operating profit before change in fair value of investment properties	**21,366**	13,842
Depreciation and amortization	**1,383**	1,278
Impairment of assets	**444**	–
Loss on disposal of subsidiaries	**2**	–
Profit on disposal of investment properties	**(193)**	(203)
Loss on disposal of fixed assets	**23**	10
Profit on disposal of available-for-sale investments	**(88)**	(88)
Dividend income from investments	**(99)**	(98)
Interest income	**(170)**	(168)
Share-based payments	**77**	–
Exchange difference	**188**	49
Operating profit before changes in working capital	**22,933**	14,622
Decrease/(increase) in properties for sale	**15,986**	(2,167)
Additions to properties pending development for sale	**(22,806)**	(13,682)
Increase in debtors, prepayments and others	**(10,305)**	(681)
(Increase)/decrease in financial assets at fair value through profit or loss	**(108)**	66
Increase in trade and other payables	**1,483**	3,364
(Decrease)/increase in deposits received on sales of properties	**(7,147)**	7,818
Cash generated from operations	**36**	9,340

(Expressed in millions of Hong Kong dollars)

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

(b) Disposal of subsidiaries and assets

Analysis of assets and liabilities over which control was lost:

	2011
Net assets disposed of:	
Deposit for acquisition of properties	228
Debtors, deposits and prepayments	493
Bank balances and cash	38
Trade and other payables	(141)
	618
Loss on disposal of subsidiaries:	
Consideration received	528
Deferred consideration	30
Total consideration received and receivable	558
Net assets disposed of	(618)
Non-controlling interests	11
Cumulative exchange difference	47
	(2)

	2011
Net cash inflow on disposal of subsidiaries:	
Consideration received	528
Bank balances and cash disposed of	(38)
	490

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

	2011	2010
Bank deposits	5,164	6,418
Bank balances and cash	2,734	1,786
Bank overdrafts	(76)	(92)
	7,822	8,112
Less: Pledged bank deposits	(411)	(340)
	7,411	7,772

32. JOINTLY CONTROLLED ASSETS

The Group

At the year end 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 :

	2011	(Restated) 2010
Investment properties	**10,249**	8,975
Properties under development for sale	**–**	184
Stocks of completed properties for sale	**190**	143
	10,439	9,302
Trade and other payables	**225**	197
Taxation	**58**	59
Deferred taxation	**70**	67
	353	323
Revenue	**867**	467
Expenses	**410**	120

33. RELATED PARTY TRANSACTIONS

During the year, the Group undertook various transactions with related parties. The following is a summary of significant transactions, in addition to those disclosed elsewhere in the financial statements, between the Group and related parties, which were carried out in the normal course of the Group's business at similar terms to other customers or suppliers and at market prices:

		Associates		Jointly controlled entities	
		2011	2010	**2011**	2010
Interest income	(a)	**–**	–	**101**	98
Rental income	(b)	**–**	6	**1**	1
Rental expenses	(b)	**–**	–	**29**	29
Other revenue from services rendered	(c)	**93**	93	**1,002**	710
Purchase of goods and services	(c)	**–**	–	**322**	384
Purchase of assets	(d)	**–**	490	**–**	–

(a) The outstanding balances with associates and jointly controlled entities at the year end date are disclosed in notes 13 and 14 respectively.

(b) The Group has, in the normal course of its business, entered into lease agreements to lease premises to and from related parties. The leases were entered into on normal commercial terms.

(c) Purchase of goods from and rendering of services to related parties were conducted in the normal course of business at prices and on terms comparable to those contracted with other suppliers/customers of the Group.

(d) In January 2010, the Group purchased 50% interest in a development site from a wholly-owned subsidiary of Transport International Holdings Limited, for a consideration of HK$490 million.

Emoluments to directors (being the key management personnel compensation) are disclosed in note 5.

(Expressed in millions of Hong Kong dollars)

34. CONTINGENT LIABILITIES AND COMMITMENTS

The Group

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

		2011	2010
(a)	Capital commitments in respect of investment properties and other fixed assets		
	Contracted but not provided for	**2,941**	4,323
	Authorized but not contracted for	**2,272**	2,841
(b)	Capital commitments in respect of investments		
	Contracted but not provided for	**–**	2
(c)	The Group's share of capital commitments of jointly controlled entities		
	Contracted but not provided for	**246**	705

(d) Guarantees given to banks and financial institutions for the borrowings of an associate and jointly controlled entities of HK$1,646 million (2010: HK$3,037 million) and other guarantees of HK$4 million (2010: HK$4 million).

The Company

At the year end 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:

	2011	2010
Subsidiaries	**55,636**	42,826
An associate	**363**	363
Jointly controlled entities	**922**	2,445
	56,921	45,634

35. OPERATING LEASE

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

	2011	2010
Not later than one year	**8,331**	7,445
Later than one year but not later than five years	**10,369**	9,021
Later than five years	**1,627**	1,967
	20,327	18,433

At the year end date, the future aggregate minimum lease charges payable by the Group under non-cancellable operating leases for land and buildings, transmission sites and leased lines is analysed as follows:

	2011	2010
Not later than one year	**704**	637
Later than one year but not later than five years	**735**	555
Later than five years	**583**	266
	2,022	1,458

36. CHARGES OF ASSETS

At the year end date, certain bank deposits of the Group's subsidiary, SmarTone Telecommunications Holdings Limited, in the aggregate amount of HK$411 million (2010: HK$340 million) have been pledged for securing performance bonds related to telecommunications licences and some other guarantees issued by the banks.

At the year end date, certain assets of the Group's subsidiaries with an aggregate net carrying amount of approximately HK$20,274 million (including bank balances of HK$8 million) (2010: HK$16,441 million (including bank balances of HK$6 million)) have been charged to secure its bank borrowings.

37. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS

In the application of the Group's accounting policies, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions used in preparing the financial statements are continually evaluated based on historical experience and other factors that are considered relevant, 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

At each year end date, the Group's investment properties are stated at fair value based on the valuation carried out by an independent qualified professional valuer. In determining the fair value, the valuer has based on market value basis which takes into account, inter-alia, certain estimates, including open market rents, appropriate capitalization rates, reversionary income potential, redevelopment potential and comparable market transactions. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

(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 relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain 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 financial statement 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.

37. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS (cont'd)

(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.

(f) Fair value of financial instruments

Financial instruments such as available-for-sale securities and derivative financial instruments are measured in the financial statements at fair values. The management uses its judgement in selecting the appropriate valuation technique for financial instruments that are not quoted in an active market. For derivative financial instruments such as interest rate swaps and currency swaps, assumptions are made based on inputs supported by observable market prices or rates.

38. 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 2011, 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$180 million (2010: HK$48 million). The equity would be decreased/increased by HK$86 million (2010: HK$173 million).

38. FINANCIAL RISK MANAGEMENT (cont'd)

(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 2011, 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$391 million (2010: HK$297 million). The equity would be decreased/increased by approximately HK$38 million and HK$50 million, respectively (2010: HK$46 million and HK$55 million, respectively).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the year end 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 2010.

(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 year end 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 2011, 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$62 million and HK$294 million, respectively (2010: HK$50 million and HK$271 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 year end 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 financial statement after deducting any impairment loss. Except for the financial guarantees given by the Company as set out in note 34, the Group does not provide any other guarantee which would expose the Group to material credit risk.

(Expressed in millions of Hong Kong dollars)

38. FINANCIAL RISK MANAGEMENT (cont'd)

(e) *Liquidity risk*

The Group's financial and treasury activities are centrally managed and controlled 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 2011	Notes	**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	24	**17,686**	**17,689**	**13,385**	**1,145**	**2,981**	**178**
Amounts due to non-controlling interests	24	**2,742**	**2,742**	**2,204**	**–**	**538**	**–**
Bank and other borrowings	23 & 25	**60,435**	**66,276**	**11,120**	**24,509**	**19,779**	**10,868**
Other long-term liabilities	27	**839**	**1,254**	**–**	**173**	**580**	**501**
Derivative financial instruments	19b	**3**	**4**	**4**	**–**	**–**	**–**
		81,705	**87,965**	**26,713**	**25,827**	**23,878**	**11,547**

As at 30 June 2010	Notes	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	24	16,089	16,091	13,430	1,068	1,458	135
Amounts due to non-controlling interests	24	1,516	1,516	978	–	538	–
Bank and other borrowings	23 & 25	45,388	48,626	12,219	8,784	20,842	6,781
Other long-term liabilities	27	739	1,094	–	116	463	515
Derivative financial instruments	19b	6	6	4	2	–	–
		63,738	67,333	26,631	9,970	23,301	7,431

(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 year end 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.

38. FINANCIAL RISK MANAGEMENT (cont'd)

(f) *Fair values (cont'd)*

The following tables present the carrying value of financial instruments that are measured at fair value at end of reporting date, categorised across the levels of fair value hierarchy defined as follows:

Level 1 Fair values measured at quoted prices (unadjusted) in active markets.

Level 2 Fair values measured using inputs other than quoted prices where those inputs are based on observable market data.

As at 30 June 2011

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities			
Listed debt securities, overseas	781	–	781
Listed debt securities, Hong Kong	21	–	21
Unlisted debt securities	59	–	59
Available-for-sale equity securities			
Listed equity securities, overseas	633	–	633
Listed equity securities, Hong Kong	1,447	–	1,447
Unlisted equity securities	–	328	328
Financial assets at fair value through profit or loss			
Listed equity securities, Hong Kong	612	–	612
Listed equity securities, overseas	32	–	32
Derivative financial instruments			
Interest rate swaps	–	560	560
Currency swaps	–	2	2
	3,585	890	4,475
Financial liabilities			
Derivative financial instruments			
Interest rate swap	–	1	1
Currency swaps	–	2	2
	–	3	3

(Expressed in millions of Hong Kong dollars)

38. FINANCIAL RISK MANAGEMENT (cont'd)

(f) *Fair values (cont'd)*

As at 30 June 2010

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities			
Listed debt securities, overseas	891	–	891
Listed debt securities, Hong Kong	52	–	52
Unlisted debt securities	41	–	41
Available-for-sale equity securities			
Listed equity securities, overseas	554	–	554
Listed equity securities, Hong Kong	1,180	–	1,180
Unlisted equity securities	–	166	166
Financial assets at fair value through profit or loss			
Listed equity securities, Hong Kong	514	–	514
Listed equity securities, overseas	22	–	22
Derivative financial instruments			
Interest rate swaps	–	544	544
Currency swaps	–	3	3
	3,254	713	3,967
Financial liabilities			
Derivative financial instruments			
Interest rate swap	–	2	2
Currency swaps	–	4	4
	–	6	6

39. 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 statement of financial position. 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.

39. CAPITAL MANAGEMENT (cont'd)

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

	2011	(Restated) 2010
Secured bank loans	**4,884**	3,273
Unsecured bank and other loans	**55,551**	42,115
Total borrowings	**60,435**	45,388
Less: Bank balance and deposits	**(7,898)**	(8,204)
Net debt	**52,537**	37,184
Shareholders' funds	**306,965**	263,221
Net debt-to-shareholders' funds ratio	**17.1%**	14.1%

40. COMPARATIVE FIGURES

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

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 138 to 198 were approved by the board of directors on 15 September 2011.